

Auditors' Report

To
The Members of
Kalpena Industries Ltd.

- 1) We have audited the attached Balance Sheet of Kalpena Industries Ltd. as at 31st March 2010 and the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) As required by the Companies (Auditor's Report) Order, 2004 (as amended) issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 4) Further to our comments in the Annexure referred to in paragraph 3 above, we report that :
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
 - c. The Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. In our opinion, Balance Sheet, Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - e. On the basis of written representations received from the directors, as on 31st March 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2010 from being appointed as a director in terms of clause (g) of sub-section (I) of section 274 of the Companies Act, 1956.
 - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2010 and
 - ii. in the case of the Profit and Loss Account, of the Profit for the year ended on that date.
 - iii. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **D.C.Dharewa & Co**
Chartered Accountants
Firm Registration No : 322617E

Date: 1st Day of September, 2010
Place: Kolkata

(D.C.Dharewa)
Proprietor
Membership No. 53838

Annexure referred to in paragraph 3 of the Auditors Report of even date to the members of Kalpena Industries Ltd. of the accounts for the year ended 31st March, 2010.

Annexure referred to in paragraph 3 of the Auditors Report of even date to the members of Kalpena Industries Ltd. on the accounts of for the year ended 31st March 2010.

- i) a) The company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
 - b) As explained to us, all fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of those assets. No material discrepancies were noticed on such verification.
- c) There was no substantial disposal of the Fixed Assets.
- ii) a) As explained to us, inventories have been physically verified during the year by the management at reasonable internals.
 - b) In our opinion and according to the information and explanations given to us, the procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the company and nature of its business.
 - c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material having regard to the size of operation of the company and have been dealt with in the books of accounts.
- iii) a) According to information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the Register maintained under Section 301 of the Act.
 - b) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Act.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct to major weaknesses in internal controls.
- v) In our opinion and according to the information and explanations provided by the management, we are of the opinion that there are no contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956.
- vi) According to the information and explanations given to us, the Company has not accepted any deposit from public.
- vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- viii) According to the information and explanations given to us the Central Government has not prescribed for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956.
- ix) a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the 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 as applicable, with the appropriate authorities. As at 31st March' 2010, there were no arrears in respect of the aforesaid dues for a period of more than six months from the date they became payable.

- b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess as applicable as at 31st March' 2010, which have not been deposited on account of a dispute are as follows -

Name of Statue	Nature of Dues	Amount (Rs. in Thousands)	Period of which the amount relates	Date of Payment
Excise Act	Excise Duty	2935	F. Y. 1996-97	CEGAT

- x) There are no accumulated losses of the company. The company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution and banks as at the Balance Sheet date.
- xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The provisions of any special statue applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- xiv) In our opinion the company, is not dealing in or trading in shares, securities, debentures and other investments.
- xv) In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- xvi) In our opinion, and according to the information and explanations given to us, on an overall basis the term loans have been applied for the purpose for which they were obtained.
- xvii) According to the information and explanations given to us, on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets except permanent working capital.
- xviii) In our opinion and according to the information and explanations given to us, where the Company has created Share Capital Suspense Account for allotment of shares as per Scheme of Amalgamation approved by the Hon'ble High Court of Calcutta on 26th August, 2010 and filed with the Registrar of Companies on 27th August, 2010, consideration paid to the shareholders of the amalgamating transferor companies is, in our opinion, not prejudicial to the interest of the company.
- xix) There are no debentures issued and outstanding at the year end.
- ii) The Company has not raised any money by public issue during the year.
- iii) According to the information and explanations given to us and representations made by management and based upon the audit procedures performed, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

For **D.C.Dharewa & Co**
Chartered Accountants
Firm Registration No : 322617E

Date: 1st Day of September, 2010
Place: Kolkata

(**D.C.Dharewa**)
Proprietor
Membership No. 53838

Balance Sheet as at 31st March, 2010

(Rupees in Thousand)

	Schedule	As at 31st March, 2010		As at 31st March, 2009	
SOURCES OF FUNDS					
Shareholder's Funds					
Share Capital	A	115,536		115,536	
Share Capital Suspense	A1	9,410		-	
Reserve and Surplus	B	979,518	1,104,464	600,283	715,819
Share Warrants (Refer Note of Schedule-T)			120,000		-
Loan Funds					
Secured Loans	C	962,939		789,543	
Unsecured Loans	D	403,672	1,366,611	426,952	1,216,495
Deferred Tax Liability			73,936		44,763
TOTAL			2,665,011		1,977,077
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	E	996,769		711,630	
Less: Depreciation		260,818		195,004	
Net Block		735,951		516,626	
Capital work in progress		47,590	783,541	32,997	549,623
Investments	F		20,911		882
Current Assets, Loans and Advances					
Inventories	G	558,779		377,724	
Sundry Debtors	H	1,281,014		1,265,307	
Cash and Bank Balances	I	122,987		107,071	
Loans and Advances	J	383,781		291,418	
TOTAL (I)		2,346,561		2,041,520	
Less : Current Liabilities and Provisions					
Current Liabilities	K	325,242		502,012	
Provisions	L	160,760		112,936	
TOTAL (II)		486,002		614,948	
Net Current Assets (I-II)			1,860,559		1,426,572
TOTAL			2,665,011		1,977,077
Statement of significant Accounting Policies	S				
Notes on Accounts	T				

This is the Balance Sheet referred to in our Report of even date attached

For **D. C. Dharewa & co.**

Chartered Accountants

Firm Registration No : 322617E

(**D. C. Dharewa**)

Proprietor

Membership No.53838

Date: 1st Day of September, 2010

Place: Kolkata

For and on behalf of the Board

D.C. Surana - Chairman

Narendra S. Surana - Vice-Chairman and
Managing Director

P. Ghosh - Director

N. Guha - Director

M.K. Jain - Company Secretary

Profit And Loss Account For The Year Ended 31st March, 2010

(Rupees in Thousand)

	Schedule	Year Ended 31.03.2010		Year Ended 31.03.2009	
INCOME					
Turnover (Gross)	M	7,659,295		6,666,966	
Less: Excise Duty		471,253		637,335	
Net Turnover			7,188,042		6,029,631
Other Income	N		56,045		11,466
Increase/(Decrease) in Stock	O		42,210		(15,792)
Total (I)			7,286,297		6,025,305
EXPENDITURE					
Manufacturing Expenses	P		6,332,082		5,255,334
Payment to and Provisions for Employees	Q		61,753		48,639
Administrative, Selling and Other Expenses	R		331,485		316,696
Interest			109,570		96,283
Depreciation		58,185			
Less: Depreciation on amount added on revaluation		1,448	56,737		42,941
Total (II)			6,891,627		5,759,893
Profit before Exceptional items and Taxation (I - II)			394,670		265,412
Less : Prior Period Adjustment			2,116		365
Profit before Taxation			392,554		265,047
Less : Provision for Taxation					
Current Tax		78,500		59,400	
Minimum Alternate Tax Credit		(15,100)		(29,400)	
Short Provision for Tax for earlier years		918		-	
Deffered Tax		29,173		15,382	
Fringe Benefit Tax		-	93,491	1,150	46,532
Profit After Taxation			299,063		218,515
Balance brought forward from last year			480,138		314,656
Balance Brought Forward from amalgamating Company		(3,164)		-	
Profit Available for Appropriation			776,037		533,171
Appropriation					
Proposed Dividend			25,418		23,107
Tax on Proposed Dividend			4,222		3,927
General Reserve			80,000		26,000
Balance Carried to Balance Sheet			666,397		480,137
			776,037		533,171
			Rs.		Rs.
Earning Per Share (Basic)			25.88		18.91
Earning Per Share (Diluted)			23.94		18.91
(Note 11 on Schedule - T)					
Statement of significant Accounting Policies	S				
Notes on Accounts	T				

This is the Balance Sheet referred to in our Report of even date attached

For **D. C. Dharewa & co.**

Chartered Accountants

Firm Registration No : 322617E

(**D. C. Dharewa**)

Proprietor

Membership No.53838

Date: 1st Day of September, 2010

Place: Kolkata

For and on behalf of the Board

D.C. Surana - Chairman

Narendra S. Surana - Vice-Chairman and
Managing Director

P. Ghosh - Director

N. Guha - Director

M.K. Jain - Company Secretary

Statement of Cash Flow For The Year Ended 31st March, 2010

(Rupees in Thousand)

	Year Ended 31.03.2010		Year Ended 31.03.2009	
A CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before Tax and Extra - ordinary items		394,670		265,412
Add : - Depreciation	56,737		42,941	
- Loss on sale of Fixed Assets	739		-	
- Foreignn currency fluctuation Loss	-		31,459	
- Sundry Balances written off	575		919	
- Interest Expenses	109,570	167,621	96,283	171,602
		562,291		437,014
Less : - Interest Income	18,492		8,687	
- Profit on sale of Fixed Assets	-		37	
- Foreignn currency fluctuation Gain	32,214		-	
- Sundry Balances written off	-	50,706	-	8,724
Operating Profit before Working Capital Changes		511,585		428,290
Adjustment For :				
- Trade receivable	55,338		(500,383)	
- Loans & Advances	(59,727)		(36,320)	
- Inventories	(173,756)		(3,442)	
- Provision	41,291		2,830	
- Trade & Other Payables	(277,146)	(414,000)	184,515	(352,800)
Cash Generated before Extra - ordinary items		97,585		75,490
- Prior Period Expenditure		(2,116)		(365)
Cash Generated From Operations		95,469		75,125
- Income Tax Paid		(64,318)		(33,562)
Net Cash Generated from Operations A		31,151		41,563
B CASH FLOW FROM INVESTING ACTIVITIES :				
- Purchase of Fixed Assets	(148,615)		(59,989)	
- Sale of Fixed Assets	4,590		11,302	
- Purchase of Investment	(20,029)		-	
- Interest Received	15,656		8,687	
Net Cash Generated from Investing Activities B		(148,398)		(40,000)
C CASH FLOW FROM FINANCING ACTIVITIES :				
- Long Term Borrowings	(59,178)		146,365	
- Share Warrants	120,000			
- Working Capital loan from bank	155,229		(44,127)	
- Short Term Borrowings	35,276		40,244	
- Interest Paid	(109,570)		(96,283)	
- Dividend Paid(Including Tax on Dividend)	(22,788)		(26,966)	
Net Cash Generated from Financing Activities C		118,969		19,233
Net Increase / (Decrease) in Cash & Cash Equivalents (A+B+C)		1,722		20,796
Cash & Cash Equivalents as at Begning		107,071		86,275
Cash and cash equivalents taken over consequent upon amalgamation		14,194		
Cash & Cash Equivalents as at End		122,987		107,071

NOTES :

- The above cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard - 3 on cash Flow Statements issued by the Institute of Chartered Accountants of India
- Previous Year's figures have been regrouped where necessary to conform to the current year's classification.
- Cash and Cash Equivalents comprise :

Cash in Hand	2,439	3,422
Cheques in hand	-	-
Balances with scheduled banks		
In Current Accounts	25,438	13,654
In Margin & Guarantee Deposit Accounts	91,606	86,810
In Unpaid Dividend Account	3,504	3,185
	<u>122,987</u>	<u>107,071</u>

For **D. C. Dharewa & co.**
Chartered Accountants
Firm Registration No : 322617E

(**D. C. Dharewa**)
Proprietor
Membership No.53838

Date: 1st Day of September, 2010
Place: Kolkata

For and on behalf of the Board

D.C. Surana - Chairman
Narendra S. Surana - Vice-Chairman and
Managing Director

P. Ghosh - Director
N. Guha - Director
M.K. Jain - Company Secretary

Schedule Annexed to and forming part of the Balance Sheet As At 31st March, 2010 and the Profit and Loss Account for the year ended 31st March, 2010

(Rupees in Thousand)

	As at 31st March, 2010	As at 31st March, 2009
Schedule - A		
Share Capital		
<u>Authorised</u>		
3,00,00,000 (Previous Year 1,20,00,000)	<u>300,000</u>	<u>120,000</u>
Equity Shares of Rs 10/-each		
<u>Issued</u>		
1,15,53,600 (Previous Year 1,15,53,600)	<u>115,536</u>	115,536
Equity Shares of Rs 10/- each		
Subscribed & Paid Up		
1,15,53,600(Previous Year 1,15,53,600)	<u>115,536</u>	<u>115,536</u>
Equity Shares of Rs 10/- each		

Schedule - A1		
Share Capital Suspense		
9,40,986 Equity shares of Rs 10/-each to be issued as fully paid up due to merger of Alkom Speciality Compounds Limited pursuant to scheme of Amalgamation.		
(See Note No 1 in schedule-T)	<u>9,410</u>	-
	<u>9,410</u>	-

	As at 31st March, 2010	As at 31st March, 2009
Schedule - B		
Reserve and Surplus		
Capital Reserve	<u>1,291</u>	1,291
(As per last Account)		
Securities Premium Account	<u>31,295</u>	31,295
(As per last Account)		
Amalgamation Reserve	<u>82,180</u>	-
Revaluation Reserve		
Taken over pursuant to scheme of amalgamation	<u>25,485</u>	-
Less: Depreciation arising out of revaluation	<u>1,448</u>	-
General Reserve		
(As per last Account)	<u>87,560</u>	61,560
Transfer from Profit & Loss Account	<u>80,000</u>	26,000
	<u>167,560</u>	87,560
Add: Addition during the year		
(See Note No 2(V) in schedule-T)	<u>6,758</u>	-
Profit & Loss Account	<u>666,397</u>	480,137
	<u>979,518</u>	600,283

Schedule Annexed to and forming part of the Balance Sheet As At 31st March, 2010 and the Profit and Loss Account for the year ended 31st March, 2010

(Rupees in Thousand)

	As at 31st March, 2010	As at 31st March, 2009
Schedule - C		
Secured Loans (For Security and Other details refer Note No 8 in schedule-T)		
From Banks		
Cash Credit and Working Capital Demand Loan	772,941	617,712
Term Loan	62,200	119,980
Car Loan	2,139	3,537
Buyers' Import Credit	45,229	48,314
Packing Credit Loan	80,430	-
	962,939	789,543
Schedule - D		
Unsecured Loans		
From Bodies Corporate	403,672	426,952
	403,672	426,952

Schedule - E Fixed Assets

Particulars	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	Cost As on 1.4.09	Taken over on amalgamation	Additions during the year	Sales	As at 31.3.10	As on 1.4.09	Taken over on amalgamation	For the Year	Adjust- ment for sales	Total as at 31.3.10	As at 31.03.10	As at 31.03.09
TANGIBLE ASSETS												
Free hold land	19,399	7,144	337	-	26,880	-	-	-	-	-	26,880	19,399
Factory Building	140,694	38,495	27,945	-	207,134	24,639	2,422	6,504	-	33,565	173,569	116,055
Plant & Machinery	442,002	49,598	124,711	4,180	612,131	135,716	6,089	41,449	1,134	182,120	430,011	306,286
Furniture & Fixture	4,036	1,627	3,311	-	8,974	1,546	150	380	-	2,076	6,898	2,490
Motor Car	16,485	1,203	5,137	1,418	21,407	3,217	57	1,856	516	4,614	16,793	13,268
Scooter, Moped & Cycle	296	41	-	2	335	207	6	19	1	231	104	89
Laboratory Equipment	13,038	708	486	-	14,232	8,268	46	1,036	-	9,350	4,882	4,770
Electrical Installation	58,305	7,731	14,822	1,917	78,941	12,881	993	5,273	545	18,602	60,339	45,424
Office Equipment	8,765	305	2,329	-	11,399	3,122	30	503	-	3,655	7,744	5,643
Airconditioner	2,404	433	336	-	3,173	650	27	145	-	822	2,351	1,754
Computer	6,206	288	1,613	34	8,073	4,758	31	1,020	26	5,783	2,290	1,448
INTANGIBLE ASSETS												
Technical Knowhow			4,090	-	4,090	-	-	-	-	-	4,090	-
TOTAL	711,630	107,573	185,117	7,551	996,769	195,004	9,851	58,185	2,222	260,818	735,951	516,626
CAPITAL WORK IN PROGRESS											47,590	32,997
Previous year	699,973	-	28,526	16,869	711,630	157,667	-	42,941	5,604	195,004	516,626	-

Schedule Annexed to and forming part of the Balance Sheet As At 31st March, 2010 and the Profit and Loss Account for the year ended 31st March, 2010

Schedule - F

(Rupees in Thousand)

Investments	Face Value Rs.	As at 31st March, 2010		As at 31st March, 2009	
		No. of Shares	Amount	No. of Shares	Amount
Long Term - Trade Quoted					
Kalpena Plastiks Limited	10/-	2,002,920	20,029	-	-
Other Than Trade Quoted					
Dena Bank	10/-	14	1	14	1
Nicco Corporation Ltd.	2/-	9,200	65	9,200	65
Unquoted					
Sterling Resorts Ltd.			131		131
Panchawati Holiday Resorts Ltd.	10/-	9,400	94	9,400	94
7 Year National Saving Certificate			10		10
5.5 Year Kisan Vikash Patra			10		10
Bavaria Associates Pvt Ltd	10/-	57,050	571	57,050	571
			20,911		882
Aggregate Book Value of Investments					
Quoted			20,095		66
Unquoted			816		816
			20,911		882
Aggregated Market Value of quoted Investments			45,413		27

	As at 31st March, 2010	As at 31st March, 2009
Schedule - G		
Inventories (As taken, valued and certified by the management)		
Raw Materials - at cost or net realisable value whichever is lower	343,391	245,002
Finished Goods - at cost or net realisable value whichever is lower	113,561	68,793
Stores & Spares - at cost	6,328	3,937
Stock in transit - At cost	95,499	59,992
	55,8779	37,7724
Schedule - H		
Sundry Debtors (Unsecured-considered good)		
Debts over six months	67,186	20,498
Other debts	1,213,828	1,244,809
	1,281,014	1,265,307
Schedule - I		
Cash and Bank Balances		
Cash in Hand (As certified by the management)	2,439	3,422
Balances with scheduled banks		
In Current Accounts	25,438	13,654
In Margin & Guarantee Deposit Accounts	91,606	86,810
In Unpaid Dividend Account	3,504	3,185
	1,22,987	1,07,071

Schedule Annexed to and forming part of the Balance Sheet As At 31st March, 2010 and the Profit and Loss Account for the year ended 31st March, 2010

(Rupees in Thousand)

	As at 31st March, 2010	As at 31st March, 2009
Schedule - J		
Loans and Advances (Unsecured -Considered good) (Recoverable in cash or kind or for value to be received)		
Advance payment of Income Tax (Including Tax Deduced at Source)	123,803	79,956
Sundry Deposits	8,657	3,369
Interest Receivables	3,342	506
Prepaid Expenses	5,187	7,395
Other Advances	157,152	120,134
Advance to Suppliers	33,888	44,753
Balance with Central Excise Authorities	51,752	35,305
	383,781	291,418
Schedule - K		
Current Liabilities		
Sundry Creditors for goods	165,501	177,072
Sundry Creditors for expenses	51,393	48,480
Taxes & other duties payable	3,012	4,431
Other Liabilities	7,638	857
Advance from customers	4,810	4,194
Overdrawn Bank balance	45	-
Creditors for Fixed Assets	14,884	15,357
Bills payable	74,455	248,436
Unclaimed Dividend*	3,504	3,185
(*Investors Education and Protection Fund shall be credited by the unclaimed amount when due pursuant to section 205A and 205C of the Companies Act,1956)		
	325,242	502,012
Schedule - L		
Provisions		
For Taxation	123,571	79,495
For Leave encashment and Gratuity	7,549	6,407
For Proposed Equity Dividend	25,418	23,107
For Tax on proposed equity dividend	4,222	3,927
	160,760	112,936
Schedule - M		
Turnover		
Gross (Sales)	7,657,165	6,658,878
Job Charges (Gross)	2,130	8,088
(Tax Deducted at Source Rs. 90,517/- , Previous Year Rs. 183,284/-)		
	7,659,295	6,666,966
Less : Excise Duty	471,253	637,335
	7,188,042	6,029,631

Schedule Annexed to and forming part of the Balance Sheet As At 31st March, 2010 and the Profit and Loss Account for the year ended 31st March, 2010

(Rupees in Thousand)

	Year Ended 31st March, 2010	Year Ended 31st March, 2009
Schedule - N		
Other Income		
Interest (Gross) (Tax Deducted at Source Rs. 24,88,346/- Previous Year Rs. 11,05,384/-)	18,492	8,687
Miscellaneous Receipts	5,333	2,736
Foreign Currency Fluctuation Gain (Net)	32,214	-
Profit on sale of fixed Assets	-	37
Rent	6	6
	56,045	11,466
Schedule - O		
Increase/ (Decrease) In Stocks		
Closing Stock of Finished Goods	113,561	68,793
Less : Opening Stock of Finished Goods	68,793	84,585
Less :Stock Taken over pursuant to scheme of amalgamation	2,558	-
Increase/ (Decrease)	42,210	(15,792)
Schedule - P		
Manufacturing Expenses:		
Raw Material Consumed	6,139,921	5,117,208
Repairs to Machineries	6,512	5,060
Stores & Consumables	20,914	10,280
Carriage Inward	54,836	43,346
Production Overhead	13,589	11,353
Power & Fuel	94,567	65,779
Security Charges	1,286	973
Job Work Charges	457	1,335
	6,332,082	5,255,334
Schedule - Q		
Payment to and Provisions for Employees:		
Salaries Wages & Bonus	53,395	43,966
Staff Welfare Expenses	4,811	3,006
Contribution to Providend and other Funds	1,597	1,103
Gratuity	1,950	564
	61,753	48,639

Schedule Annexed to and forming part of the Balance Sheet As At 31st March, 2010 and the Profit and Loss Account for the year ended 31st March, 2010

(Rupees in Thousand)

	Year Ended 31st March, 2010	Year Ended 31st March, 2009
Schedule - R		
Administrative, Selling and other Expenses		
Advertisement	623	1,256
Auditors Remuneration	325	175
Bank Charges	19,266	17,690
Bill Discounting charges	20,442	23,663
Book and Periodicals	75	163
Brokerage & Commission	3,028	2,702
Carriage Outwards	103,101	118,286
Charity & Donation	214	92
Clearing and Forwarding charges	43,273	16,480
Computer Processing charges	709	498
Consultancy Charges	11,387	6,305
Coolie & Cartage	10,288	7,084
Directors sitting Fees	232	188
Discount	53,489	34,710
Electrical Maintenance	1995	1,878
Electricity Charges	719	943
Filing fees	413	13
General Expenses	2,266	930
Insurance Charges	5,962	8,030
Internal Auditors Remuneration	200	50
L/C Charges	10,770	7,436
Laboratory Expenses	506	584
Legal Expenses	794	95
License Fees	872	1,262
Listing Fees	237	162
Membership & Subscription	397	174
Motorcar Expenses	3,581	2,095
Postage & Telegraph	872	909
Printing & Stationery	2,489	2,032
Rates & Taxes	994	597
Rent	7,704	3,961
Repair & Maintenance - Building	2,210	1,609
Repair & Maintenance - Others	3,797	2,137
Sales Promotion Expenses	3,942	6,151
Share Holders Service Charges	266	95
Telephone & Telex	3,737	2,319
Travelling & Conveyance Expenses	8,996	11,564
Foreign Currency Fluctuation Loss (Net)	-	31,459
Loss on Sale of Fixed Assets	739	-
Sundry Balances Written off (Net)	575	919
	331,485	316,696

SCHEDULES FORMING PART OF THE ACCOUNTS

Schedule -S: Significant Accounting Policies.

A Statement of Significant Accounting Policies

1 Basis of Preparation Of Financial Statements

The Financial Statements have been prepared to comply in all material aspects with the notified Accounting Standards issued by the Companies (Accounting Standard) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The Financial Statements are prepared under historical cost convention and on an accrual basis. The accounting policies have been consistently applied by the company and are consistent with those applied in the previous year.

2 Use Of Estimates

The preparation of Financial Statements in conformity with the Generally Accepted Accounting Principles (GAAP) requires Management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the Financial Statement and the result of the operations during the reporting year end. Although these assumptions are made as per the Management 's best knowledge of current events and actions, actual result may differ from these estimates.

3 Fixed Assets:

- i All Fixed assets have been stated at historical cost less accumulated depreciation and impairment loss, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.
- ii Technical Know How will be amortised over a period of five years beginning from the financial year 2010-11.
- iii Foreign currency exchange differences to the extent covered under AS-11 (amended vide MCA notification no. G.S.R. 225 (E) dated 31 March 2009) on amounts borrowed for acquisition of fixed assets are adjusted to the carrying cost of the fixed asset.

4 Depreciation:

Depreciation on Fixed Assets has been provided on the Straight Line Method at the rates prescribed under Schedule XIV of the Companies Act, 1956 on prorata basis with reference to the date of addition.

5 Investment :

Investments are stated at cost of acquisition and treated as long term investments.

6 Borrowing Cost :

Borrowing cost that are directly attributable to acquisition and construction of qualifying asset are capitalised as part of the cost of such asset upto the date the asset is put to use. All other borrowing cost are charged to revenue on accrual basis unless otherwise stated.

7 Impairments:

The carrying amount of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal as well as external factors. An impairment loss is recognised when the carrying amount of the asset is more than its recoverable value.

8 Revenue Recognition:

- i Sales are recognised on despatch to customers and include jobs charges, raw material sales & remission of Central Sales Tax and Vat Amount.
- ii Other income and expenditure are recognised and accounted on accrual basis.

9 Inventories.

- i Raw materials and Stores & spareparts: Inventories are valued at cost or net realisable value whichever is lower. Cost is determined by using the Weighted average method.
- ii Finished Goods: Lower of cost and net realisable value. Finished goods include cost of conversion and other cost incurred for bringing the inventories to their present location and condition.

10 Retirement and other Employee Benefits:

- i Short-term Employee Benefits (i.e. benefits payable within one year) are recognised in the period in which employee services are rendered.
- ii Contribution towards provident funds are recognised as expenses and are made to government administered provident fund towards which the Company has no further obligations beyond its monthly contribution. Liability towards gratuity, covering eligible employees on the basis of year-end actuarial valuation is recognised as a charge.
- iii Accrued liability towards leave encashment benefits, covering eligible employees' is recognised as charge. Contribution to Central Government administered Employees' State insurance Scheme for eligible employees is recognised as charge. Super Annuation benefit scheme is not existing in the company at present.

11 Taxation:

- i Provision for current tax is made and retained in the accounts on the basis of estimated tax liability as per the applicable provision of the Income-tax Act, 1961.
- ii Deferred Tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such Deferred Tax Assets can be realised.

12 Contingent liability:

Disclosure for contingent liabilities are considered to the extent of notices or demands received by the company.

13 Earnings per Share:

The earnings considered in ascertaining the EPS of the Company comprises the Net Profit after providing for Provisions stipulated as per Accounting Standard 20(AS-20). The number of shares used in computing basic EPS is the weighted average number of shares outstanding during the period. The diluted EPS is calculated on the same basis as basic EPS after adjusting for the effects of the potential dilutive equity shares.

14 Foreign currency Transaction:

- i Transactions in the Foreign Currency are being converted into Indian currency by applying the rate prevailing on the date of occurrence.
- ii Outstanding balances of foreign currency monetary items are reported using the period end rates.

Schedule 'T' : Notes to the Accounts.

- 1 As per resolution passed by the members at the Extraordinary General Meeting held on 4th September, 2009, the company has allotted 60,00,000 (Sixty Lacs) Warrants convertible into equal number of Equity Shares at a price of Rs. 80/- per warrant including a premium of Rs. 70/- per warrant, on 27th November, 2009, on preferential basis. The Warrants shall be converted into equity shares within 18 months from the date of allotment as per SEBI Guidelines. KIL has received 25% as upfront deposit amounting to Rs.1,20,000 Thousands which is shown under 'Share Warrant' Account.
- 2 **Amalgamation:**
 - i Pursuant to the Scheme of Arrangement (the Scheme) approved by the shareholders and sanctioned by the Hon'ble High Court at Calcutta on 3rd August' 2010. Certified copy of the same was received on 26th August, 2010. The scheme became effective on 27th August, 2010. Under the provisions of the Companies Act, 1956 ('the Act'), the undertakings of Alkom Speciality Compounds Limited , the transferor companies was transferred to and vested in the company as a going concern with effect from 1st April'2009 (the Appointed Date) and accordingly the Scheme had been given effect to in these accounts. According to the said Scheme, with effect from the Appointed Date, Alkom speciality Compounds Limited has carried out all their business and activities in trust for the Company till the Scheme becomes effective.
 - ii In accordance with the scheme 940,986 number of Equity Shares of Rs. 10/- each fully paid up and ranking pari passu with the existing equity shares are to be issued by the company to the ordinary shareholders of Alkom Speciality Compounds Limited in the ratio of 1 (one) equity share of Rs. 10/- each of the company for every 10 (Ten) equity shares of Rs. 10/- each fully paid up held in Alkom Speciality Compounds Limited.
 - iii The Amalgamation has been accounted for in the books of account of 'KIL' according to the pooling of interests method under Accounting Standard (AS) 14, 'Accounting for Amalgamations' issued by the Institute of Chartered Accountants of India.
 - iv Accordingly on and from the Appointed Date all assets, liabilities and reserves of Alkom Speciality Compounds Limited transferred to 'KIL' under the Scheme and recorded in the books of accounts of KIL at their respective book value and in the same form and manner as recorded in the books of accounts of Alkom Speciality Compounds Limited.
 - v Due to differences in accounting policy between Alkom Speciality Compounds Limited and KIL for providing depreciation on certain assets, the amount of Rs.6758 thousands has been adjusted in the General Reserves of KIL to ensure that the financial statements of KIL reflect the financial position on the basis of consistent accounting policy.
 - vi Pending completion of relevant formalities of transfer of certain assets and liabilities acquired/transferred pursuant to the Scheme of Arrangement, such assets and liabilities remain included in the books of the company under the name of the transferor/transferee companies.

3 Information required by para 3 and 4 of part II of Schedule VI of the Companies Act, 1956.

i Particulars in respect of Goods manufactured :

Particulars	Unit	*Installed Capacity		Production	
		2009-10	2008-09	2009-10	2008-09
PVC Compound	MT	40,000	32,000	39,216	30,074
**PE Compound	MT	87,000	60,000	60,607	58,000
PVC Sole & Hawai Chappal	Pairs/kg	8,500,000	8,500,000	5,298,796	7,355,500
Scrap	MT	N.A.	N.A.	1,576	1,209

*Installed Capacity is certified by the Management and not verified by Auditors being technical matter.

**Includes the Installed capacity of transferor Company.

ii Particulars in respect of sales of Goods manufactured :

Particulars	Unit	2009-10		2008-09	
		Quantity	Value	Quantity	Value
PVC Compound	MT	39,366	2,290,772	30,281	1,938,011
**PE Compound	MT	59,960	4,070,160	58,034	4,092,644
PVC Sole & Hawai Chappal	Pairs/kg	5,322,296	592,413	7,334,110	471,281
Scrap	MT	1,593	12,796	1,093	7,650
Others	MT	-	693,154	-	157,380
Total			7,659,295		6,666,966

iii Particulars in respect of Closing Stock:

Particulars	Unit	2009-10		2008-09	
		Quantity	Value	Quantity	Value
PVC Compound	MT	104	5,854	254	11,622
PE Compound	MT	1,670	106,231	989	55,022
PVC Sole & Hawai Chappal	Pairs/kg	-	-	23,500	681
Scrap	MT	223	1,476	237	1,468
Total			113,561		68,793

iv Particulars in respect of Opening Stock:

Particulars	Unit	2009-10		2008-09	
		Quantity	Value	Quantity	Value
PVC Compound	MT	254	11,622	462	26,221
PE Compound	MT	1,023	57,563	1,023	57,631
PVC Sole & Hawai Chappal	Pairs/kg	23,500	681	2,110	285
*Scrap	MT	240	1,485	120	448
Total			71,351		84,585

v Particulars in respect of Consumption of Raw Materials:

Particulars	Unit	2009-10		2008-09	
		Quantity	Value	Quantity	Value
PVC Resin	MT	20,678	941,325	18,773.618	669,338
LLDPE & LDPE	MT	46,904	3,024,622	40,011	2,634,647
Others	MT	-	2,173,974	-	1,813,223
Total		67,582	6,139,921		5,117,208

4 Value of Imported and Indegenous Raw Materials, Stores and Spare Parts consumed.

Particulars	2009-10		2008-09	
	Rs.	% of Total Consumption	Rs.	% of Total Consumption
Stores				
i Imported	754	4%	500	5%
ii Indegenous	20,160	96%	9,780	95%
	20,914	100%	10,280	100%
Raw Materials				
i Imported	1,984	32%	969,147	19%
ii Indegenous	4,155,550	68%	4,148,061	81%
Total	6,139,921	100%	5,117,208	100%

5 Value of Imports Calculated on CIF basis.

particulars	2009-10	2008-09
Raw Materials	2,036,183	1,163,909
Capital Goods	69,731	17,362
Stores and Spares	561	305
Total	2,106,475	1,181,576

6 Capital Work in Progress Including Expenditure During Construction Period.

particulars	2009-10	2008-09
Plant & Machinery	31,648	13,620
Building	15,942	12,820
Expenditure During the Construction Period	-	6,557
Total	47,590	32,997

7 Capital Commitment:

Estimated amount of contracts remaining to be executed on capital account and not provided for is amounting to Rs.32188/- Thousands. (Net of advances)

8 Secured Loans.

i Term Loan From Banks:

These Loans are secured by first charge created by way of mortgage of company's Land and Building and other fixed assets located at D-403, Dharam Palace, CHS limited, Shantivana, Borivalli (E), Mumbai-400066, on first Pari-passu basis.

ii **Cash Credits and working capital demand from Banks:**

- a Is secured by way of hypothecation of stocks of raw materials, work-in-progress, finished goods, stores & spares and book debts of the Company.
- b Mortgage of Land and Building Plant and Machinery located at D-403, Dharam Palce, CHS limited, Shantvaan, Borivalli (E), Mumbai-400066, on First Pari-passu basis.
- c These loans are further secured by a second charge over the residual value on the Fixed assets of the units both present and future located at the Dabhel Industrial area, Daman and others.

iii **Car Loan**

Car Loan is secured by Hypothecation against Motor Car (BMW).

9 **Interest includes interest on Term Loan Rs.9326 thousands. (Previous year Rs.16626/- thousands)**

10 **Contingent Liability not Provided in the books:**

particulars	2009-10	2008-09
Letter of Credit	213,408	220,481
Bank Guarantee	23,083	26,220
Excise Duty demands pending in appeal with CEGAT	1,330	1,330
Penalty levied by Excise Authorities	1,605	1,605
Income Tax Demand under appeal not provided for	-	121
Total	239,426	249,757

11 **Sundry Debtors/Creditors:**

Closing Balances of Sundry Debtors, Advances, other Receivables and Creditors are subject to confirmation to be obtained from parties. The company has initiated procedures for obtaining confirmation from such parties.

12 **Sundry Creditors:**

The Company had sought confirmation from its vendors on their status under Micro, Small and Medium Enterprises Development Act, 2006. Based on the confirmations received till date, there are some vendors who have confirmed that they are covered under the Micro, Small and Medium Enterprises Development Act, 2006. Disclosures as required by section 22 of the 'The Micro, Small and Medium Enterprises

particulars	2009-10	2008-09
The principal amount and the interest due thereon remaining unpaid to any supplier is as given below		
Principal amount	5,571	2,149
Interest thereon	-	-
Total	5,571	2,149

13 **Expenditure in foreign currency (accrual basis)**

particulars	2009-10	2008-09
Travelling	1,972	3,554
Total	1,972	3,554

14 Earning in foreign currency (accrual basis)

particulars	2009-10	2008-09
Exports at F.O.B. Value	265,452	275,040
Exchange Fluctuation	32,160	(31,459)
Total	297,612	243,581

15 Segment reporting:

- i Primary Segment (Business Segment):The Company operates in a single reportable segment (i.e. Manufacturing and sale of PVC and XLPE compund,which have similar risk and returns for the purpose of AS 17 on 'Segment Reporting' issued by ICAI.
- ii Secondary segment (by Geographical demarcation):

Particulars	2009-10	2008-09
Segment Revenue:		
Domestic	6,922,590	6,391,926
Overseas	265,452	275,040
Segment Debtors:		
Domestic	1,241,322	1,231,210
Overseas	39,692	34,097

Note: The Company has common assets for producing goods for domestic market and overseas markets. Hence, separate figures for other assets / additions to other assets has not been furnished.

16 Salary,Wages & Bonus includes Directors Remuneration:

Account Head	2009-10	2008-09
Salary	960	840
Allowances	480	480
Total	1,440	1,320

17 Employee Benefits:

- i Provision for defined contribution plan viz. Providend and Other Fund amounting to Rs.1597. thousands has been charged to the Profit and Loss Account during the year.
- ii Description of type of employee benefits: The Company offers to its employees defined benefits plans in the form of Gratuity and leave encashment. No fund is created for payment of gratuity and leave wages and the Company would pay the same out of its own funds as and when the same becomes payable.

Particular	Year Ended 31st March 2010	Year Ended 31st March 2009
Changes in present value of obligation		
Present value of obligation as at beginning of the year	4,071	3,577
Add: Present obligation of transferor company	44	-
Interest cost	332	283
Current service cost	985	649

Particular	Year Ended 31st March 2010	Year Ended 31st March 2009
Plan Amendments	260	-
Benefits paid	(401)	(70)
Actuarial (gain) / loss on obligation	374	(368)
Present value of obligation as at end of the year	5,665	4,071
Changes in fair value of plan assets		
Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets	-	-
Contributions	401	-
Benefits paid	(401)	-
Actuarial (loss) / gain	-	-
Fair value of plan assets at the end of the year	-	-

iii Para 132 of AS-15 (Revised 2005) does not require any specific disclosure except where expenses resulting from compensated absence is of such size, nature or incidence that disclosure is relevant under Accounting Standard 5 or Accounting Standard 18 and accordingly the expenses resulting from compensated absence is not significant and hence no disclosures are given under various paragraphs of AS-15.

iv Expenses recognised in the profit and loss account

Particular	Year Ended 31st March 2010	Year Ended 31st March 2009
Current service cost	984	649
Past Service Cost	260	
Interest cost on benefit obligation	332	283
Net actuarial (gain) / loss recognised in the year	374	(368)
Expenses recognised in the profit and loss account	1,950	564

v The principal assumptions used in determining gratuity and leave encashment for the Company's plans are shown below:

Particular	Year Ended 31st March 2010	Year Ended 31st March 2009
Discount Rate	8.30%	8.20%
Expected Rate of return on Asset	0.00%	0.00%
Future Salary Escalation Rate	7.00%	7.00%
Mortality Rate	LIC - 1994-96	LIC - 1994-96

*The estimates of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

18 Related Party Transactions:

As per Accounting Standard 18 (AS-18) on related party disclosure issued by the Institute of Chartered Accountants of India, the transaction with related parties of the company are as follows.

A : List of Related Parties

Name	Nature of Relationship	Nature of Transaction	Transaction during the Year 31.03.2010	Outstanding as on 31.03.2010
Narendra S. Surana	Vice Chairman and Managing Director	Remuneration	1,440	-

19 Earnings Per Share:

Sl. No.	Particular	Year Ended 31st March 2010	Year Ended 31st March 2009
a	Net Profit after Tax for basic earnings per Share (Fully Attributable to Equity Share Holders)	299,063	218,515
	Adjustments for the purpose of Diluted earnings per Share	-	-
	Net Profit after Tax for Diluted earnings per Share.	299,063	218,515
b	Weighted average number of equity Shares for Earning per Share Computation		
	i Number of equity Shares at the beginning of the Year	11,553	11,553
	ii a) Number of equity Shares allotted during the Year	-	-
	b) Number of Equity Shares to be allotted on amalgamation.	941	-
	iii weighted average Number of Equity Shares allotted/ to be allotted during the year.	-	-
	iv Number of Potential Equity Shares	-	-
	v Weighted average for:		
	a) Basic Earning per Share	11,553	11,553
	b) Diluted Earning per Share	12,494	11,553
c	Earning Per Share		
	i Basic	25.88	18.91
	ii Diluted	23.94	18.91
d	Face Value Per Share	Rs.10	Rs.10

20 Deferred Tax Liability :

Components of net deferred tax liability:

Particular	Year Ended 31st March 2010	Year Ended 31st March 2009
Deferred tax liability		
Differences between written down value in block of fixed assets as per tax books and financial books.	79,357	46,378
Deferred tax asset		
Carry forward Losses as per Income Tax Act	(2,856)	-
Effect of expenditure debited to profit and loss account in the current / earlier years but allowable for tax purposes in following years	(2,565)	1,615
Net Deferred tax liability	73,936	44,763

21 Auditors' Remuneration:

This Includes

Year Ended	31st March 2010	31st March 2009
a) Statutory Audit Fees	270	140
b) Tax Audit Fees	55	35
Total	325	175

22 National Saving Certificates, Kishan Vikas Patra and Fixed Deposits are disclosed as deposit under the head Cash and Bank Balances have been lodged with various authorities as margin deposit and security money.

23 There was no impairment loss on Fixed Assets on the basis of review carried out by mnagement in accordance with Accounting Standard issued by the Institute of Chartered Accountants of India.

24 There are no amount due and outstanding to be credited to Investor Education and Protection Fund.

25 Foreign Currency Exposure:

Particulars	As at 31st March 2010		
	Amount in Foreign Currency (US \$)	Exchange Rate	Rs. in '000'
Trade Receivables	871,142	44.43	38,704
Trade Paybles	2,513,893	45.59	114,608

26 Previous Year's figures are regrouped or rearranged wherever necessary to conform to this year's classification.

27 Figures in the Schedules have been rounded off to the nearest Thousand.

As per our Report of even date annexed herewith

For **D.C.Dharewa & co.**
Chartered Accountants
Firm Registration No:322617E

(D.C.Dharewa)
Proprietor
Membership No.53838

Date: 1st Day of September, 2010
Place: Kolkata

For and on behalf of the Board

D.C. Surana -- Chairman
N..S. Surana -- Vice Chairman and
Managing Director
P. Ghosh -- Director
N. Guha -- Director
M.K. Jain -- Company Secretary

PART - IV

BALANCE SHEET ABSTRACT AND COMPANIES BUSINESS PROFILE FOR THE YEAR ENDED 31.03.2010

- I) Registration details :
Registration No. : L19202 WB 1985 PLC 039431
State Code : 21

Balance Sheet As on 31st March, 2010

ii) **Capital Raised During the Year (Amount in Rs.'000')**

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

iii) **Position of mobilisation of Fund (Amount in Rs. '000')**

Total Liabilities	2,665,011	Total Assets	2,665,011
<u>Sources of Funds :</u>			
Paid up Capital	115,536	Reserve & Surplus	979,518
Share Capital Suspense	9,410	Unsecured Loan	403,672
Share warrant	120,000		
Secured Loans	962,939		
Deferred Tax Liabilities	73,936		

Application of Fund :

Net Fixed Assets	783,541	Investment	20,911
Net Current Assets	1,860,559	Misc.Expenditure	-

iv) **Performance of Company (Amount in Rs.'000')**

Turnover	7,244,087	Total Expenditure	6,851,533
Profit before tax	392,554	Profit after tax	299,063
Earning Per Share (Basic)	25.88	Dividend Rate (%)	22
Earning Per Share (Diluted)	23.94	Dividend Rs. per share	2.20

v) **Generic Names of Products/Services of Company**

(As per monetary terms)

Item Code No. (ITC Code)	3904-2290
Product Description	Manufacturing of PVC Compound
Item Code No. (ITC Code)	3901-9090
Product Description	Manufacturing of XLPE Compound
Item Code No. (ITC Code)	6401-1090
Product Description	Hawai Chappal
Item Code No. (ITC Code)	6406-9990
Product Description	PVC Sole (Part of Hawai Chappal)

For and on behalf of the Board

D.C. Surana -- Chairman
Narendra .S. Surana -- Vice Chairman and
Managing Director
P. Ghosh -- Director
N. Guha -- Director
M.K. Jain -- Company Secretary