

Kiri Industries Limited

Date: 11th August, 2014

FORM A


Pursuant to clause 31(a) of the Listing Agreement

| | | |
|----|--|------------------------------|
| 1. | Name of the company | Kiri Industries Limited |
| 2. | Annual financial statements (Standalone and Consolidated) for the year ended | 31 st March, 2014 |
| 3. | Type of Audit observation | Un-qualified |
| 4. | Frequency of observation | Not Applicable |

For Kiri Industries Limited


Manish Kiri
Managing Director

For Kiri Industries Limited

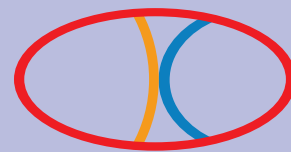
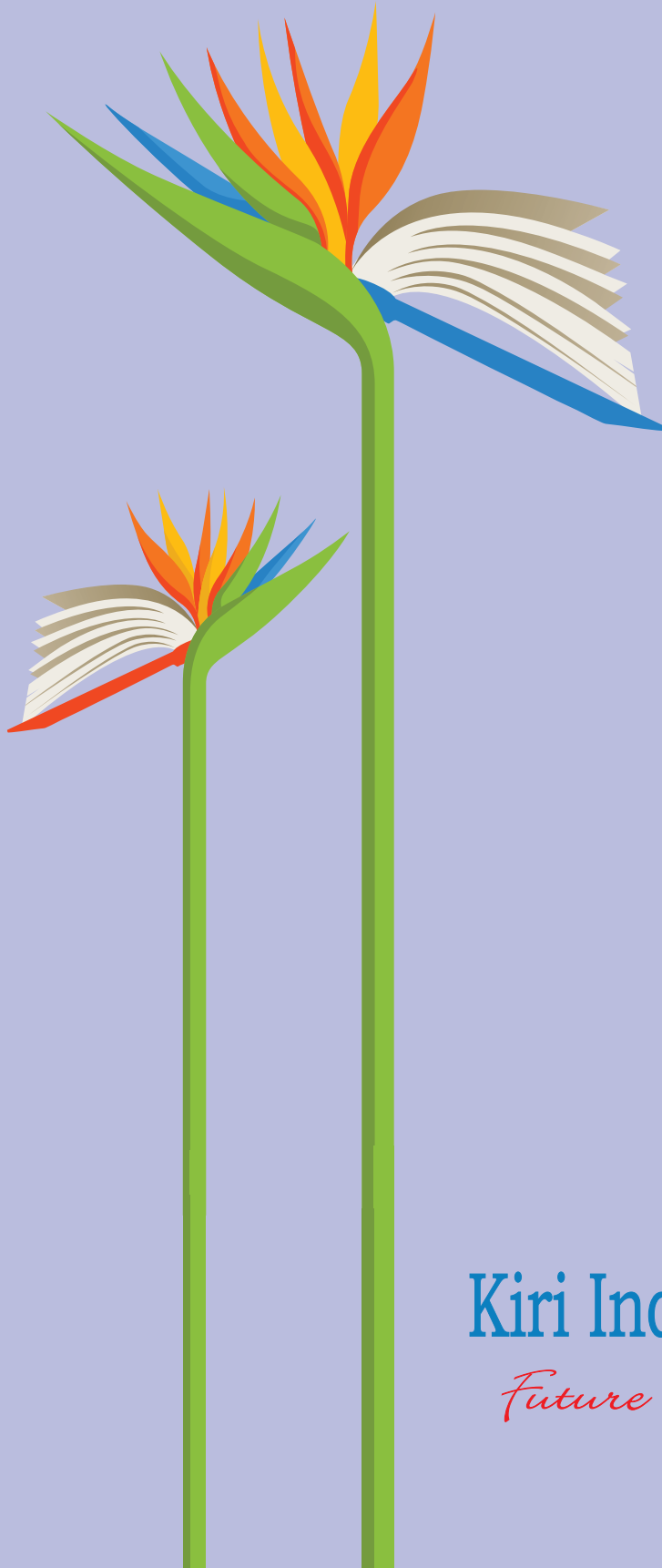

Keyoor Bakshi
Chairman of Audit Committee

For V. D. Shukla & Co,
Chartered Accountants
Firm Registration no. 110240W



Vimal D. Shukla
Proprietor
Membership No.036416

16th ANNUAL REPORT
2013-2014



Kiri Industries Limited

Future Full of Colours.....

Corporate Information

BOARD OF DIRECTORS

| | |
|-------------------------|---|
| Mr. Pravin A. Kiri | Chairman |
| Mr. Manish P. Kiri | Managing Director |
| Mr. Keyoor M. Bakshi | Non-Executive Independent Director |
| Mrs. Harsha B. Bangari | Nominee Director - Export Import Bank of India |
| Mr. Jayanta Kumar Sinha | Nominee Director - State Bank of India (w.e.f. 12 th August, 2013) |
| Mr. V. Anish Babu | Nominee Director - IFCI Limited (Upto 28 th October, 2013) |
| Mr. Mukesh Desai | Additional – Independent Director (w.e.f. 11 th August, 2014) |

COMPANY SECRETARY

Suresh S. Gondalia

STATUTORY AUDITORS

M/S V. D. Shukla & Co.,
Chartered Accountants,
Ahmedabad

COST AUDITORS

M/s V. H. Savaliya & Associates
Cost Accountants, Ahmedabad

REGISTERED OFFICE

7th Floor, Hasubhai Chambers,
Opp. Town Hall, Ellisbridge,
Ahmedabad – 380 006
Website: www.kiriindustries.com

CIN

L24231GJ1998PLC034094

BANKERS

State Bank of India
Bank of India
Oriental Bank of Commerce
Export Import Bank of India
Punjab National Bank
Indian Bank

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Notice

NOTICE is hereby given that the **16th Annual General Meeting** of the members of KIRI INDUSTRIES LIMITED will be held on Friday, 26th September, 2014 at 10.30 a.m. at Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad - 380 015, to transact the following businesses:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2014 and the Statement of Profit and Loss for the year ended on that date together with the Report of Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. Pravin Kiri (DIN 00198275), who retires by rotation and being eligible, offers himself for re-appointment.
3. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:
"RESOLVED THAT pursuant to the provisions of Section 139 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed thereunder, as amended from time to time M/s. V. D. Shukla & Co., Chartered Accountants, (Firm Registration Number 110240W) be and are hereby re-appointed as Auditors of the Company to hold office from conclusion of this Annual General Meeting (AGM) till the conclusion of 19th AGM of the Company to be held in the year 2017 (subject to ratification of their appointment by members in every AGM) at such remuneration, as may be mutually agreed between the Board of Directors of the Company and the Auditors."

SPECIAL BUSINESS:

4. **Appointment of Mr. Keyoor Bakshi as an Independent Director of the Company:**
 To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:
"RESOLVED THAT pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013, read with Schedule IV to the Act and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. Keyoor Bakshi (DIN 00133588), a Non-Executive Independent Director of the Company, whose period of office is liable to determination by retirement of directors by rotation and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company to hold office for 5 (Five) consecutive years with effect from 26th September, 2014 up to 25th September, 2019."
5. **Appointment of Mr. Mukesh Desai as an Independent Director of the Company**
 To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:
"RESOLVED THAT pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 read with Schedule IV to the Act and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. Mukesh Desai (DIN 00089598), who was appointed as an Additional Director on 11th August, 2014 by the Board of Directors pursuant to the provisions of Section 161 of the Companies Act, 2013 and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for 5 (five) consecutive years with effect from 26th September, 2014 up to 25th September, 2019."
6. **To ratify the remuneration of Cost Auditors of the Company for F.Y. 2014-15:**
 To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:
"RESOLVED THAT pursuant to the provisions of section 148, other applicable provisions of the Companies Act, 2013 and rules framed thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), consent of the members be and hereby accorded to the Board of Directors of the Company for payment of remuneration of Rs. 2,00,000/- (Rupees Two Lacs only) plus service tax and out of pocket expenses to M/s. V. H. Savaliya & Associates, Cost Accountants, who has been appointed by the Board at their meeting held on 29th May, 2014, for audit of cost records of manufacturing units of the Company, located at Vatva, Ahmedabad and Village Dudhwada, Taluka: Padra, Vadodara for financial year 2014-15 and the same be and is hereby ratified by the members of the Company.
RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all acts, things, deeds and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

Notice (Contd...)

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as **Special Resolution**:
"RESOLVED THAT in supersession of the Ordinary Resolution passed by the members of the Company through Companies (Passing of the Resolutions by Postal Ballot) Rules, 2001 (vide postal ballot notice dated 17th January, 2011) under Section 293 (1)(d) of the Companies Act, 1956 with respect to the borrowing powers of the Board of Directors, consent of the members be and is hereby accorded in terms of Section 180(1)(c) and other applicable provisions, if any, of the Companies Act 2013 (hereinafter referred to as the "Act"), or any statutory modification or re-enactment thereof, to the Board of Directors, borrowing moneys (apart from temporary loans obtained by the Company from their bankers in the ordinary course of business) in excess of the aggregate of paid up share capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, as the Board may, from time to time deem necessary, provided that the sum or sums so borrowed and remaining outstanding at any one time shall not exceed in the aggregate Rs. 1,000 Crores (Rupees one thousand Crores only).
"RESOLVED FURTHER THAT the Board of Directors or its committee thereof be and are hereby authorized to take all such steps as may be deemed necessary, proper or expedient to give effect to this resolution."
8. To consider and if thought fit, to pass, with or without modification(s), the following resolution as **Special Resolution**:
"RESOLVED THAT in supersession of the Ordinary Resolution passed by the members of the Company through Companies (Passing of the Resolutions by Postal Ballot) Rules, 2001 (vide postal ballot notice dated 17th January, 2011) under Section 293 (1)(a) of the Companies Act, 1956, consent of the member be and is hereby accorded in terms of Section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013 (hereinafter referred to as the "Act"), or any statutory modification or re-enactment thereof, to the Board of Directors to mortgage and/or charge (by way of first, second or other subservient charge as may be agreed to between the Company and the lenders and/or Debenture Trustees), all the immovable and movable properties, present and future, pertaining to any one or more of the Company's Units and any other undertaking of the Company wheresoever situate and the whole or substantially the whole of anyone or more of the said undertakings of the Company, with the right to take over the management and concern of the undertaking(s) whose properties are agreed to be mortgaged and/or charged in certain events, to or in favour of any Financial Institutions, Banks and other lending Institutions or Funds, Trustees for Debentures, to secure their respective Rupee and Foreign Currency Loans or other Financial Assistance lent, granted and advances or agreed to be lent, granted and advanced to the Company or the Debentures, Bonds or other financial instruments issued and allotted or as may be issued by the Company and subscribed to or agreed to be subscribed to by such Institutions/Banks/Funds, or any other persons, of such amount or amounts not exceeding Rs. 1,000 Crores (Rupees One Thousand Crores only) in the aggregate on account of principal, together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on prepayment, remuneration of the Trustees, costs, charges and other moneys payable by the Company to the respective Financial Institutions, Banks and other lending institutions and Debenture holders and/or Trustees under the Loan/Subscription Agreement(s) entered into/to be entered into by the Company in respect of the said loans, debentures or other Financial instruments or assistance.
RESOLVED FURTHER THAT the Board of Directors of the Company including a Committee thereof, be and is hereby authorized to finalize with the Financial Institutions, Banks and other lending Institutions or Debenture Trustees, the documents for creating mortgage(s) and/or charge(s) as aforesaid and to do all acts, deeds and things in connection therewith and incidental thereto".
9. To consider and if thought fit, to pass, with or without modification(s), the following resolution as **Special Resolution**:
"RESOLVED THAT pursuant to provisions of the Section 62 of the Companies Act, 2013 ("the Act"), other applicable provisions of the Act and rules framed thereunder (subject to modification(s) or re-enactment (s)) thereof for time being in force, Memorandum and Articles of Association of the Company, the Listing Agreement entered into by the Company with Stock Exchanges where the shares of the Company are listed and the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, as amended from time to time, the Reserve Bank of India or any relevant authority(ies), from time to time, to the extent applicable and subject to such approvals, consents, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed by them while granting such approvals, consents or permissions, if any; approval of the members of the Company be and is hereby accorded to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any committee including Nomination and Remuneration Committee of the Board or any other committee which may constitute by the Board from time to time) to frame the proposed Employees Stock Option Scheme 2014 ("hereinafter referred to as ESOP Scheme-2014") and to create, issue, offer and allot in one or more tranches under the said proposed ESOP Scheme-2014 at any time to the present and/or future employees of the Company except the Promoters or any other person belonging to the Promoter Group and Independent Directors such number of Equity Shares and/or any other convertible instruments or Securities which could give right to the

Notice (Contd...)

issue of 10,00,000 (Ten Lacs) Equity Shares (hereinafter collectively referred to as "Securities") of the Company of face value of Rs. 10/- each fully paid up under one or more tranches, on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of the law or guidelines issued by the regulatory authority (ies) from time to time including the allotment of such securities to a Trust formed for the purpose (or such other adjusted figure for any bonus, stock splits or consolidations or other reorganization of the capital structure of the Company as may be applicable for time to time) at such price and on such terms and conditions as may be fixed or determined by the Board in accordance with the Guidelines or other applicable provisions of any law as may be prevailing at that time.

RESOLVED FURTHER THAT in case of any corporate action(s) such as rights issues, bonus issues, merger and sale of division and others, if any additional equity shares are issued by the Company to the employee(s) for the purpose of making a fair and reasonable adjustment to the options granted earlier, the above ceiling of 10,00,000 equity shares shall be deemed to be increased to the extent of such additional equity shares issued.

RESOLVED FURTHER THAT the Board be and is hereby authorized to formulate, evolve, decide upon and bring into effect the ESOP Scheme-2014 on such terms and conditions and to make any modification(s), change(s), variation(s), alteration(s) or revision(s) in the terms and conditions of the scheme from time to time including but not limited to amendments with respect to vesting period, exercise price, eligibility criteria, vesting schedule or to suspend, withdraw or revive the ESOP Scheme-2014.

RESOLVED FURTHER THAT the new Equity Shares to be issued and allotted as stated aforesaid shall rank pari-passu with all the existing equity shares of the Company for all purposes.

RESOLVED FURTHER THAT the Board be and is hereby authorized to take necessary steps for listing of the securities allotted under the ESOP Scheme-2014 with the Stock Exchanges where the securities of the Company are listed as per provisions of the Listing Agreement with the Concerned Stock Exchanges and other applicable guidelines, rules and regulations.

RESOLVED FURTHER THAT for the purpose of giving effect to any creation, offer, issue, allotment or listing of securities under the ESOP Scheme-2014, the Board be and is hereby authorized on behalf of the Company to do all such acts, deeds, matter and things as it may in its absolute discretion deem fit or necessary or desirable for such purpose and with power on behalf of the Company to settle any questions, difficulties, or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the Members."

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

"RESOLVED THAT pursuant to the provisions of Section 62, other applicable provisions, if any, of the Companies Act, 2013 ("the Act") and rules framed there under (including any statutory modification or re-enactment thereof for the time being in force) and in accordance with the enabling provisions of the Memorandum and Articles of Association of the Company, Guidelines for preferential issues issued by the Securities and Exchange Board of India ("SEBI") under Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("SEBI ICDR Regulations"), relevant provisions of the Listing Agreements entered into by the Company with the stock exchanges where the shares of the Company are listed and subject to the requisite approvals, permissions or consents, if any, of the Central Government, Reserve Bank of India, stock exchanges, SEBI, banks, financial institutions and any other appropriate authorities under any other applicable laws, rules and regulations for the time being in force ("Concerned Authorities") in this regard and further subject to such terms, conditions, stipulations and modifications as may be prescribed, imposed or suggested by any of the Concerned Authority while granting such approvals, permissions or consent as may be necessary or which may be agreed to, by the Board of Directors of the Company (hereinafter referred to as "the Board" which expression shall include any Committee constituted/ to be constituted by the Board or any person(s) authorized by the Board to exercise the powers conferred on the Board by this Resolution) and subject to such terms, conditions and modifications as the Board may in its discretion impose or agree to, the consent and approval of the Company be and is hereby accorded to the Board, to create, issue/offer and allot:

1. up to **19,48,968 equity shares** of Rs. 10.00 each to the Promoter Group of the Company by conversion of loans outstanding in their names,
2. up to **3,00,979 equity shares** to the person other than the Promoters and Promoter Group; and
3. up to **37,50,000 warrants** to the Promoter Group with a right exercisable by the Warrant holder to subscribe for one equity share per Warrant (all of which hereinafter collectively referred to as "Securities") to below mentioned proposed allottees, on such other terms and conditions as the Board may in its absolute discretion decide at the time of issue of Securities, and at such price or prices, including premium if any, as may be determine and approved by the Board in accordance with the provisions specified in the SEBI ICDR Regulations.

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| Name of Proposed Allottees | Category of proposed allottees | Pre issue Shareholding | | Shareholding after issue of equity shares | | Shareholding after conversion of warrants | |
|----------------------------|--------------------------------|------------------------|------|---|------|---|-------|
| | | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| Mrs. Anupama Kiri | Promoter Group | 2270 | 0.01 | 1951238 | 8.77 | 5701238 | 21.93 |
| Mrs. Kamini Bakshi | Other than Promoter Group | 0.00 | 0.00 | 300979 | 1.35 | 300979 | 1.16 |

(in the above table, the post issue shareholding percentage is calculated assuming allotment of ESOP shares to a Trust and entire 10,00,000 options granted under ESOP Scheme- 2014, will be exercised)

RESOLVED FURTHER THAT without prejudice to the generality of the above, the aforesaid issue of the warrants shall be on the following terms:

1. An amount equivalent to 25% of the Issue Price shall be payable at the time of subscription and allotment of each Warrant. The balance 75% of the Issue Price shall be payable by the warrant holder upon exercise of the entitlement attached to Warrant(s) to subscribe for Equity Share(s). The amount paid against Warrants shall be adjusted / set off against the Issue Price of the resultant Equity Shares;
2. If the entitlement against the warrants to apply for the equity shares is not exercised within eighteen months from the date of issue of warrants, the entitlement of the warrant holder to apply for equity shares of the Company along with the rights attached thereto shall expire and any amount paid on such warrant shall stand forfeited by the issuer.

RESOLVED FURTHER THAT the Relevant Date for the purpose of determination of Issue price of securities, under Chapter VII of SEBI ICDR Regulations is 27th August, 2014, being 30 days prior to the date on which the meeting of the members of the Company is held to consider the proposed Issue.

RESOLVED FURTHER THAT the price of the Securities to be issued is calculated in accordance with the provisions stipulated under Chapter VII of the SEBI ICDR Regulations of the preferential issue.

RESOLVED FURTHER THAT the equity shares so issued and equity shares to be issued upon exercise of option by Warrant holder, shall rank pari passu in all respects with the existing equity shares of the Company and be listed on stock exchanges where the Equity Shares of the Company are listed.

RESOLVED FURTHER THAT the Securities to be issued and allotted to the proposed allottees shall be subject to lock-in, in accordance with the regulation 78 of Chapter VII of SEBI ICDR Regulations.

RESOLVED FURTHER THAT the entire pre-issue shareholding of proposed allottees shall be under lock-in from the relevant date upto a period of six months from the date of preferential allotment.

RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, desirable and expedient for such purpose, including without limitation, to issue and allot Equity Shares upon exercise of the entitlement attached to Warrants, issuing certificates / clarifications, effecting any modifications or changes to the foregoing (including modification to the terms of the issue), entering into contracts, arrangements, agreements, documents (including for appointment of agencies, intermediaries and advisors for the Issue), in connection therewith and incidental thereto as the Board may in its absolute discretion deem fit without being required to seek any fresh approval of the members of the Company and to settle all questions, difficulties or doubts that may arise in regard to the offer, issue and allotment of the Warrants and Equity Shares and utilisation of proceeds of the Warrants / Equity Shares, take all other steps which may be incidental, consequential, relevant or ancillary in this connection and that the decisions of the Board shall be final, binding and conclusive in all respects.

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred by above resolution to any Director(s) or to any Committee of Directors or any other officer(s) of the Company or any other person as the Board may at its absolute discretion deem appropriate, to do all such acts, deeds, matters and things as also to execute such documents, writings, etc. as may be necessary to give effect to the aforesaid resolution."

By Order of the Board of Directors
For Kiri Industries Limited

Place : Ahmedabad
Date : 11th August, 2014

Suresh Gondalia
Company Secretary

Notice (Contd...)

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate should not be more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, 22nd September, 2014 to Friday, 26th September, 2014 (both days inclusive).
4. Brief profile of Directors who has proposed to be appointed / re-appointed, nature of their expertise in specific functional areas, names of companies in which they hold directorships and memberships / chairmanships of Board Committees, shareholding as stipulated under Clause 49 of the Listing Agreement, are annexed to the Notice.
5. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 in respect of the business under Item Nos. 4 to 10 of the Notice, is annexed hereto. The relevant details as required under Clause 49 of the Listing Agreement of persons seeking appointment/ re-appointment as Directors are also annexed herewith.
6. Members/Proxies are requested to bring their attendance slip duly filed in all aspects along with copy of Annual Report to the Meeting. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
7. Relevant documents referred to in the accompanying Notice is open for inspection by the members at the Registered Office of the Company on all working days, except Saturdays, during business hours up to the date of the Meeting.
8. Members are requested to:
 - (i) Intimate immediately any change in their address to the Company's Registrar and Share Transfer Agents, Cameo Corporate Services Limited, Subramanian Building # 1, Club House Road, Chennai- 600 002.
 - (ii) Quote Folio No. in all correspondence and in case the shares are held in dematerialized form, quote DP ID and Client ID number.
 - (iii) Register their e-mail address with their respective depository participant to receive the Annual Report and other communications from the Company electronically.
9. Members intending to obtain information about the accounts to be approved in the meeting are requested to inform the Company 7 (seven) days in advance of date of the Annual General Meeting.
10. As a measure of economy, copies of Annual Report will not be distributed at the ensuing Annual General Meeting. Therefore, members are requested to bring their copy of Annual Report in the Meeting.
11. Members wishing to claim their unclaimed dividends are requested to correspond with the Company or Registrars and Transfer Agent. Members are requested to note that dividends not encashed or claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account shall be transferred to the Investor Education and Protection Fund as per Section 124 of the Companies Act, 2013 ("the Act") and other applicable provisions of the Act.
12. Copy of Annual Report has been available on the website of the Company www.kiriindustries.com.
13. Pursuant to provisions of section 108 of the Companies Act 2013, read with the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide e-voting facility to the members to cast their votes electronically on all resolutions set forth in the Notice. The Company has engaged the services of Central Depository Services (India) Limited (CDSL) to provide the e-voting facility.
The instructions for members voting electronically are as under:
 - (i) The voting period begins on Thursday, 18th September, 2014 (9.00 a.m.) and ends on Saturday, 20th September, 2014 (6.00 p.m.). During this period members' of the Company, holding shares either in physical form or in dematerialized form, as on Friday, 22nd August, 2014 being the cut of date, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
 - (ii) The shareholders should log on to the e-voting website www.evotingindia.com during the voting period.
 - (iii) Click on "Shareholders" tab.

Notice (Contd...)

- (iv) Now Enter your User ID.
- For CDSL: 16 digits beneficiary ID,
 - For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (vii) If you are a first time user follow the steps given below:

| | For Members holding shares in Demat Form and Physical Form |
|-----------------------|--|
| PAN | Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field. In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field. |
| DOB | Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format. |
| Dividend Bank Details | Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio. Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv). |

- (viii) After entering these details appropriately, click on "SUBMIT" tab.
- (ix) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xi) Click on the EVSN for the relevant "KIRI INDUSTRIES LIMITED" Company Name on which you choose to vote.
- (xii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xiv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xvii) If Demat account holder has forgotten the password then enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xviii) Note for Non-Individual Shareholders & Custodians:
- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodians are required to log on to <https://www.evotingindia.com> and register themselves as Corporates or Custodians.
 - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.

Notice (Contd...)

- After receiving the login details they have to create compliance user, should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
 - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- (xix) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com under help section or write an email to helpdesk.evoting@cdslindia.com.
- **General Instruction:**
- a) M/s R.C. Tarpara & Associates, Practicing Company Secretary (Membership No. FCS 6165), has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
 - b) The Scrutinizer shall, within a period of not exceeding 3 (three) working days from the conclusion of the e-voting period, unlock the votes in the presence of at least two witnesses, not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour of or against, if any, forthwith to the Chairman of the Company.
 - c) The voting rights of shareholders shall be in proportion to their shares of the paid up equity share capital of the Company as on 22nd August, 2014.
 - d) The Results shall be declared on or after the AGM. The results declared along with the Scrutinizer's Report shall be placed on the Company's website www.kiriindustries.com and on the website of CDSL within two days of the passing of the resolutions at the 16th Annual General Meeting of the Company to be held on 26th September, 2014 and shall be communicated to BSE Ltd., and National Stock Exchange of India Limited.

Details of Directors Appointment / Re-appointment as required under Clause 49 of the Listing Agreement

| Name | Mr. Pravin Kiri | Mr. Keyoor Bakshi | Mr. Mukesh Desai |
|---|--|---|---|
| Date of Birth | 1 st November, 1945 | 31 st May, 1957 | 26 th February, 1956 |
| Date of Appointment | 14 th May, 1998 | 26 th April, 2010 | 11 th August, 2014 |
| Qualifications | Bachelor of Science (B.SC) (Chemistry) | 1. Bachelor of Commerce (B.COM) and Bachelor of Law (L.LB) 2. Fellow Member (F.C.S) of the Institute of Company Secretaries of India; | Bachelor of Engineering (B.E.) and Post Diploma in Management Study |
| Expertise in specific functional areas | Leadership experience in Dyestuffs and Chemical Industries with highly evolved expertise in organic structure synthesise of Dyes and Reactive Dyes, he heads manufacturing activities, operational strategy, quality control and Research and Development activities of the Company. | Corporate Governance, Due Diligence, Mergers, Acquisition & Takeovers, Public offerings of Securities. | Engineering, Chemicals, Automobile and Rubber Industries. |
| Directorship held in other Public Companies (excluding Private Companies, Foreign companies and Companies under Section 8 of Companies Act, 2013) | Kiri Peroxide Limited | Lesha Industries Limited | Innovative Tyres & Tubes Limited |
| Membership / Chairmanship of committees of other Public companies (includes only Audit Committee and Stakeholders' Relationship Committee) | NIL | Audit Committee Chairman in Lesha Industries Limited Stakeholders' Relationship Committee Member in Lesha Industries Limited | NIL |
| Number of shares held in the Company | 25,01,680 Equity Shares of Rs. 10 each. | NIL | NIL |

Notice (Contd...)

Explanatory Statement (Pursuant to section 102 of the Companies Act, 2013)

As required under Section 102 of the Companies Act, 2013, the following explanatory statement sets out all material facts relating to the business mentioned under Item Nos. 4 to 10 of the accompanying Notice:

Item No. 4

Mr. Keyoor Bakshi, Non Executive Independent Director of the Company had been appointed as Additional Director by the Board of Directors at its meeting held on 26th April, 2010 and was appointed as Non Executive Independent Director by the members in the Annual General Meeting of the Company held on 30th September, 2010.

Pursuant to the provisions of Section 149 of the Companies Act, 2013 ("the Act"), effective from 1st April, 2014, every Listed Company is required to have at least one-third of the total number of directors as Independent Directors, who shall not retire by rotation on the Board. As per Circular (Ref No. CIR/CFD/POLICY CELL/2/2014) issued by the Securities and Exchange Board of India ("SEBI") dated 17th April, 2014 pertaining to amendment in Clause 49 of the Listing Agreement, it is mandated that an Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and shall be eligible for reappointment for another term for five consecutive years on passing of a special resolution by members of the Company, provided that he had not served as an Independent Director for five years or more in a Company till 1st October, 2014.

Mr. Bakshi had served as Independent Director since 26th April, 2010, therefore, he can be eligible for appointment as Independent Director for two consecutive terms (i.e. for 10 years) on the Board of the Company.

Therefore, it is proposed to appoint Mr. Keyoor Bakshi as Independent Director, to hold office for 5 (Five) consecutive years from 26th September, 2014 to 25th September, 2019 and that he shall not be liable to retire by rotation.

He is not disqualified from being appointed as a Director in terms of Section 164 of the Act and had given his consent to act as a Director. He has also given a declaration to the Board that, he meets the criteria of independence as required under Section 149 of the Act as well as Clause 49 of the Listing Agreement. In the opinion of the Board, he fulfills the conditions specified in the Act and the Rules framed thereunder and that the proposed Director is independent of the management for appointment as Independent Director in compliance with the provisions of section 149 read with Schedule IV of the Act.

Mr. Keyoor Bakshi is concerned / interested in the resolution set out in Item No. 4 of the Notice relating to his own appointment. None of the other Directors / Key Managerial Personnel of the Company or their relatives are in any way concerned or interested, in this resolution.

The Board of Directors recommends this resolution for approval of the members of the Company.

Brief profile of Mr. Keyoor Bakshi

Mr. Keyoor Bakshi, aged 57 years, is a Non-Executive Independent Director of the Company. He is a practicing company secretary and holds degrees in Commerce and Law from Gujarat University. He is a Fellow Member of the Institute of Company Secretaries of India and had served as the President of Institute of Company Secretaries of India in year 2008. He has an experience of over 33 years in Corporate Laws, Finance and Management and has actively been involved in various assignments relating to amalgamations, mergers/ de-mergers, acquisitions and takeovers, corporate restructuring and planning.

Item No. 5

Mr. Mukesh Desai, appointed as Additional Director on the Board of the Company on 11th August, 2014 pursuant to the provisions of Section 161 of the Companies Act, 2013 ("the Act"). He would hold office up to the date of the ensuing Annual General Meeting of the members of the Company.

The Company had received notices in writing from the member alongwith the deposit of requisite amount prescribed under Section 160 of the Act, proposing the candidature of Mr. Mukesh Desai for the office of Director of the Company.

It is proposed to appoint Mr. Mukesh Desai as Independent Director pursuant to Section 149 of the Act and Clause 49 of the Listing Agreement to hold office for 5 (Five) consecutive years from 26th September, 2014 to 25th September, 2019 and he shall not be included in the total number of directors for retirement by rotation.

He is not disqualified from being appointed as a Director in terms of Section 164 of the Act and had given his consent to act as a Director. He had also given a declaration to the Board that he met the criteria of independence as provided under Section 149 of the Act as well as Clause 49 of the Listing Agreement. In the opinion of the Board, he fulfills the conditions specified in the Act and the Rules framed thereunder and that the proposed Director is independent of the management for appointment as Independent Director in compliance with the provisions of section 149 read with Schedule IV of the Act.

Notice (Contd...)

Mr. Mukesh Desai is concerned / interested in the resolution set out in Item No. 5 of the Notice relating to his own appointment. None of the other Directors / Key Managerial Personnel of the Company or their relatives are in any way concerned or interested, in this resolution

The Board of Directors recommends this resolution for approval of the members of the Company.

Brief profile of Mr. Mukesh Desai

Mr. Mukesh Desai, aged 58 years, is an Additional Director of the Company. He is B.E. (Production) and Post Diploma in Management Study from Bombay University. He has more than 36 years working experience in different types of manufacturing units in India and abroad. He has successfully implemented project of various industries like Engineering, Chemical, Automobile, Rubber and water project. At present he is associated with various non-government and semi government organisations.

Item No. 6

The Audit Committee of the Company at their meeting held on 29th May, 2014 has recommended to the Board of Directors, for appointment and fixing of remuneration of M/s. V. H. Savaliya & Associates, Cost Accountants, for audit of cost records of manufacturing units of the Company for the financial year 2014-15. The Board of Directors of the Company at their meeting held on 29th May, 2014 has appointed and fixed their remuneration as Cost Auditors of the Company subject to ratification by the members of the Company.

In accordance with the provisions of Section 148, other applicable provisions of the Companies Act, 2013 and rules framed thereunder, the remuneration payable to the Cost Auditors has to be ratified by the members of the Company. Therefore, the Board of Directors of the Company proposes resolution as set out in Item No. 6 of the Notice for approval of Members of the Company.

None of the Directors / Key Managerial Personnel of the Company or their relatives are in any way, concerned or interested in the aforesaid resolution.

Item No. 7

The members of the Company through Companies (Passing of the Resolutions by Postal Ballot) Rules, 2001 (vide postal ballot notice dated 17th January, 2011) by the ordinary resolution under Section 293(1)(d) of the Companies Act, 1956 had authorised the Board of Directors to borrow moneys together with money already been borrowed by the Company not exceeding Rs. 1000 Crores (Rupees One Thousand Crores) for the purpose of the business of the Company in excess of the aggregate of the paid up share capital and free reserves of the Company at any point of time.

As per the circulars issued by MCA (Ref. No. 15/2013 dated 13th September, 2013 and Ref No. 04/2014 dated 25th March, 2014) that the Board of Directors shall not borrow money (ies), except with the consent of the members accorded by way of a special resolution passed in compliance of the provisions of section 180(1)(c) of the Companies Act, 2013 ("the Act").

As per the provisions of section 180(1)(c) of the Companies Act, 2013 the Board of Directors shall not borrow moneys and together with money already been borrowed by the Company in excess of the aggregate of the paid up share capital and free reserves of the Company, apart from temporary loans obtained/to be obtained from the Bank(s) in the ordinary course of business, except with the consent of the Company accorded by a Special Resolution.

It is therefore necessary for the members to pass this resolution under section 180(1)(c) of the Companies Act, 2013, to enable the Board of Directors of the Company to borrow moneys together with money already been borrowed by the Company for the purpose of the business of the Company in excess of the aggregate of the paid up share capital and free reserves of the Company at any point of time not exceeding Rs. 1000 Crores (Rupees One Thousand Crores).

None of the Directors / Key Managerial Personnel of the Company or their relatives are in any way, concerned or interested in the aforesaid resolution.

The Board of Directors recommends the resolution set out in item no. 7 of the Notice for approval of the members of the Company.

Item No. 8

The members of the Company through Companies (Passing of the Resolutions by Postal Ballot) Rules, 2001 (vide postal ballot notice dated 17th January, 2011) by the ordinary resolution under Section 293(1)(a) of the Companies Act, 1956 had authorised the Board of Directors for creating mortgage and/or charge and/or hypothecate and/or lease any of its movable and/or immovable properties wherever situated both present and future for an amount of borrowing not exceeding Rs. 1000 Crore (Rupees One Thousand Crore Only) at any point of time.

Notice (Contd...)

As per the circulars issued by MCA (Ref. No. 15/2013 dated 13th September, 2013 and Ref No. 04/2014 dated 25th March, 2014) that the Board of Directors shall not create mortgage and/or charge and/or hypothecate any of its movable and/or immovable properties, except with the consent of the members accorded by way of Special Resolution passed in compliance of the provisions of section 180(1)(a) of the Companies Act, 2013 ("the Act").

It is therefore necessary for the members to pass this Special Resolution under section 180(1)(a) of the Act, other provisions of the Act to enable the Board of Directors of the Company to create mortgage and/or charge and/or hypothecate any of its movable and/or immovable properties within the amount stated in the resolution.

None of the Directors / Key Managerial Personnel of the Company or their relatives are in any way, concerned or interested in the aforesaid resolution.

The Board of Directors recommends the resolution set out in Item No. 8 of the Notice for approval of the members of the Company.

Item No. 9

Your Company is introducing Employee Stock Option Scheme – 2014 (ESOP Scheme – 2014) which will cover eligible and selected key employees, presently working with the Company and new key persons appointed after implementation of scheme. The main purpose to introduce ESOP Scheme 2014 is to retain existing employees for long time and to attract good talent in the Company.

Accordingly, the Board of Directors ("the Board") of the Company at its meeting held on 11th August, 2014, approved introduction of the 'Kiri Industries Limited Employee Stock Option Scheme - 2014' (hereinafter referred to as the "ESOP Scheme - 2014"), subject to the approval of the members and in compliance with the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended from time to time (the "SEBI Guidelines") and authorised the Nomination & Remuneration Committee or any other committee constituted by the Board from time to time to formulate the detailed terms and conditions of the ESOP Scheme - 2014 and to administer and implement the ESOP Scheme – 2014 in accordance with the SEBI Guidelines. The entire ESOP Shares are proposed to be allotted to a specific trust being formed for the purpose.

The members are informed that the shares being offered under the ESOP Scheme – 2014 would not exceed 5% of the post issued, subscribed and paid-up equity shares of the Company.

Approval of the Members is being sought for issue of Stock Options to eligible and selected key employees of the Company.

The ESOP Scheme - 2014 is being formulated in accordance with the SEBI Guidelines. The salient features of the ESOP Scheme - 2014 are as follows:

| | |
|--|--|
| (a) Total number of Stock Options to be granted under the ESOP Scheme – 2014) | Total 10,00,000 (Ten Lacs) Stock Options to be granted under the ESOP Scheme 2014. |
| (b) Identification of classes of employees entitled to participate in the ESOP Scheme – 2014 | The eligible and selected key employees, presently working with the Company and new key persons appointed after implementation of scheme as may be decided by the Board and/ or Nomination & Remuneration Committee or any other committee constituted by the Board from time to time, would be eligible for the ESOP Scheme - 2014. |
| (c) Requirements of vesting and period of vesting | Vesting will commence 20% every year after the date of Grant and may extend up to five years from the date of Grant or such other percentage of vesting each year which shall be decided by the Board and / or Nomination & Remuneration Committee or any other committee constituted by the Board. |
| (d) Maximum period within which the options shall be vested | Vesting will commence from the date of Grant and may extend up to five years from the date of Grant. |
| (e) Exercise price or pricing formula | The exercise price for the purposes of the grant of Stock Options will be as per terms & conditions decided by the Board and / or Nomination & Remuneration Committee or any other committee constituted by the Board at the time of respective grant of Stock Options, but at a price not below the face value of the equity share and not exceeding the market price as per the SEBI Guidelines. |

Notice (Contd...)

| | |
|---|--|
| (f) Exercise period and process of exercise | The Exercise Period would be 5 (Five) years from the date of Grant or such other period as may be decided by the Board and / or Nomination & Remuneration Committee or any other committee constituted by the Board at the time of respective grant of Stock Options. |
| (g) The Appraisal process for Determining the eligibility of employees | The appraisal process for determining the eligibility of the employee will be specified by the Board and/or the Nomination & Remuneration Committee or any other committee constituted by the Board, based on seniority and evaluation parameters such as performance, value creation, leadership etc. |
| (h) Disclosure and accounting policies | The Company will comply with the disclosures and the accounting policies as specified in Schedule I referred to in Clause 13.1 of the SEBI Guidelines. |

The Board recommends the Special Resolutions set forth in Item No. 9 of the Notice for approval of the Members.

None of the Directors of the Company including their relatives are interested or concerned in the Resolution. All key managerial persons of the Company shall be deemed to be concerned and interested in the resolution to the extent ESOP shares are to be issued to them.

Item No. 10

The Board of Directors of the Company at its meeting held on 11th August, 2014 has proposed to issue up to 19,48,968 equity shares and upto 37,50,000 Warrants to Mrs. Anupama Kiri, which is covered under Promoter Group and 3,00,979 equity shares to Mrs. Kamini Bakshi, other than promoter group, through a preferential issue in accordance with the Guidelines issued by the Securities and Exchange Board of India ("SEBI") under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("SEBI ICDR Regulations") and subject to approval of Members of the Company and other necessary approval(s) of the regulatory authorities from time to time.

The price of the Securities to be issued is being calculated in accordance with the provisions for preferential issue as laid under Chapter VII of the SEBI ICDR Regulations which inter alia provides that the equity shares and Warrants shall be allotted at a price not less than higher of the following:-

- I. The average of the weekly high and low of the closing prices of the Company's equity shares quoted on the Stock Exchange(s) during the twenty six (26) weeks preceding the relevant date; or
- II. The average of the weekly high and low of the closing prices of the Company's equity shares quoted on the Stock Exchange(s) during the two (2) weeks preceding the relevant date.

The relevant date for determination of price for issue of equity shares and equity shares arising upon exercising option by Warrant holder shall be 27th August, 2014, being the date which is 30 days prior to the date of meeting of the members of the Company, to consider the proposed issue.

The following disclosure is made in accordance with the provisions of Chapter VII of SEBI ICDR Regulations for preferential issue:

I. Object of the preferential issue and details of utilization of proceeds:-

The object of the issue is to augment of long term resources of the Company for repayment of debt and for long term working capital requirement.

II. Intention of the promoters/directors/key management personnel to subscribe to the offer:-

The preferential issue is being made to Mrs. Anupama Kiri, which is covered under Promoter Group and in which Mr. Pravin Kiri and Mr. Manish Kiri Directors of the Company are interested, and Mrs. Kamini Bakshi in which Mr. Keyoor Bakshi, Director of the Company is interested. None of the other directors/key managerial personnel of the Company would be subscribing to the preferential issue of Equity Shares and Warrants proposed to be issued by the Company.

III. Terms of issue of warrants to Promoter Group:

The Proposed allottee of Warrants shall be paid an amount equivalent to 25% of the Issue Price at the time of subscription and allotment of each Warrant. The balance 75% of the Issue Price shall be payable by the warrant holder upon exercise of the entitlement attached to Warrant(s) to subscribe for Equity Share(s). The amount paid against Warrants shall be adjusted / set off against the Issue Price of the resultant Equity Shares. The holder of the warrants shall exercise such right in two tranches-one each during the financial year 2015-16 and 2016-17.

Notice (Contd...)

If the entitlement against the warrants to apply for the equity shares is not exercised by the warrant holder, within the specified period stipulated under regulations 75 of ICDR Regulations 2009, the entitlement of the warrant holder to apply for equity shares of the Company along with the rights attached thereto shall expire and any amount paid on such warrant shall stand forfeited by the Company.

Upon receipt of the requisite payment of the remaining 75% of the consideration payable in respect of the warrants, as above, the Board (or a Committee thereof) shall allot one equity share per warrant by appropriating Rs. 10/- towards equity share capital and the balance amount paid against each warrant, towards the securities premium. The allotment shall only be made in the dematerialized form.

The warrant holder shall also be entitled to any future issue of bonus / rights, if any, of Equity Shares or warrants convertible into Equity Shares or such other securities by the Company, in the same proportion and manner as any other Members of the Company for the time being and the Company shall reserve proportion of such entitlement for the warrant holder.

The Securities so issued above shall rank paripassu with the existing equity shares of the Company in all respect and be listed on stock exchanges where the Equity Shares of the Company are listed.

IV. Lock-In period:

The equity shares allotted to proposed allottee and equity shares allotted pursuant to conversion of warrants to promoter group, shall be subject to lock in for a period of 3 (three) years and equity shares proposed to be allotted to person other than promoter group shall be subject to lock in for a period of 1 (one) year from the date of allotment as per clause 78 (1)& (2) of the Chapter VII of SEBI ICDR Regulations.

The entire pre-issue shareholding of proposed allottees shall be under lock-in from the relevant date upto a period of six months from the date of preferential allotment.

V. Pre and Post preferential issue Shareholding Pattern:

| Sr. No. | Categories | Pre issue shareholding as on 30 th June, 2014 | | Issue of 22,49,947 Equity Shares | | Shareholding after issue of 37,50,000 warrants | |
|---------|---------------------------------------|--|---------------|----------------------------------|---------------|--|---------------|
| | | No. of Shares | % Holding | No. of Shares | % Holding | No. of Shares | % Holding |
| 1 | Promoters and Promoter Group | 4893432 | 25.75 | 6842400 | 30.75 | 10592400 | 40.74 |
| 2 | Financial Institutions / Banks | 1572766 | 8.28 | 1572766 | 7.07 | 1572766 | 6.05 |
| 3 | Bodies Corporate | 3159827 | 16.63 | 3159827 | 14.20 | 3159827 | 12.15 |
| 4 | Individuals# | 7060677 | 37.16 | 7361656 | 33.09 | 7361656 | 28.31 |
| 5 | Clearing Members | 28545 | 0.15 | 28545 | 0.13 | 28545 | 0.11 |
| 6 | Foreign Nationals/NRIs | 364827 | 1.92 | 364827 | 1.64 | 364827 | 1.40 |
| 7 | Hindu Undivided Family | 435042 | 2.29 | 435042 | 1.96 | 435042 | 1.67 |
| 8 | Foreign Institutional Investor (FIIs) | 1484937 | 7.82 | 1484937 | 6.67 | 1484937 | 5.71 |
| 9 | Employees under proposed ESOP | 0 | 0.00 | 1000000 | 4.49 | 1000000 | 3.85 |
| | Total | 19000053 | 100.00 | 22250000 | 100.00 | 26000000 | 100.00 |

Note: # Out of the total issue of 22,49,947 Equity shares, 300,979 Equity Shares shall be allotted to Mrs. Kamini Bakshi (other than Promoters and Promoter group category) which is included in the category of Individuals).

Notice (Contd...)

VI. Identity and percentage of pre and post preferential issue capital held by proposed allottees:

| Name of Proposed Allottees | Pre issue Shareholding | | Shareholding after issue of equity shares | | Shareholding after conversion of warrants | |
|---|------------------------|------|---|------|---|-------|
| | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| Mrs. Anupama Kiri –Promoter Group | 2270 | 0.01 | 1951238 | 8.77 | 5701238 | 21.93 |
| Mrs. Kamini Bakshi – Other than Promoter Group | 0.00 | 0.00 | 300979 | 1.35 | 300979 | 1.16 |

VII. Proposed time within which the allotment shall be completed:-

The Securities shall be issued and allotted within a period of fifteen (15) days from the date of passing of the Special Resolution, provided that where the allotment of such Securities is pending on account of pendency of any regulatory approval for such allotment, the allotment shall be completed within a period of fifteen (15) days from the date of such approval or such other extended period as may be permitted under the applicable SEBI ICDR Regulations as amended from time to time.

VIII. Change in control:-

There will be no change in the Board of Directors nor will there any change in the control over the Company, consequent to the issue of Securities, as aforesaid.

IX. Undertakings:-

In terms of SEBI ICDR Regulations, the Company hereby undertakes that:

- It shall re-compute the price of the specified securities in terms of the provisions of these regulations where it is required to do so.
- If the amount payable on account of re-computation of price is not paid within the time stipulated in these regulations, the specified securities shall continue to be locked in till the time such amount is paid by allottees.

X. Auditor's Certificate:

A copy of certificate issued by M/s. V. D. Shukla & Co., Statutory Auditors of the Company certifying that the proposed issue of equity shares and warrants are being made in accordance with the Chapter VII of SEBI ICDR Regulations, will be available for inspection by the members of the Company at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on any working day upto the date of the ensuing General Meeting, except Saturdays and will also be laid before the General Meeting.

Pursuant to the provisions of Section 62 of the Companies Act, 2013 and as per ICDR Regulations, the above Preferential Issue requires approval of members by way of passing Special Resolution.

Therefore, the Board recommends the above mentioned resolution to be passed as a Special Resolution.

Mr. Pravin Kiri and Mr. Manish Kiri, Directors, shall be deemed to be concerned or interested in the resolution to the extent of the shares/ warrants to be allotted to the Promoter Group of the Company. Mr. Keyoor Bakshi shall be deemed to be concerned or interested in the resolution to the extent of the shares to be allotted to Mrs. Kamini Bakshi.

Save and except the above, none of the other Directors, Key Managerial Persons of the Company or any relatives of such Director or KMPs, are in any way concerned or interested in the proposed Resolution.

By Order of the Board of Directors
For Kiri Industries Limited

Place : Ahmedabad
Date : 11th August, 2014

Suresh Gondalia
Company Secretary

Directors' Report

To
The Members,
Kiri Industries Limited

Your Directors have pleasure in presenting 16th Annual Report together with Audited Accounts of the Company for the financial year ended on 31st March, 2014.

❖ Standalone Performance:

The highlights of Company's financial performance, for the year ended 31st March, 2014 are as under:

| | (Rs. in Lacs) | |
|--|-------------------|-------------------|
| Particulars | 2013-14 | 2012-13 |
| Total Revenue | 58351.97 | 52603.47 |
| Profit Before Finance Cost, Depreciation, Tax and Prior period adjustments | 6212.09 | 3475.83 |
| Less : Finance Cost | 7726.23 | 7542.79 |
| Depreciation | 3349.64 | 3197.90 |
| Prior Period adjustments | 22.54 | 20.57 |
| (Loss) before taxation and extra ordinary items | (4886.32) | (7285.43) |
| Less : Extra Ordinary Items | 2876.61 | 11159.19 |
| (Loss) Before Taxation | (7362.93) | (18444.62) |
| Less : Provision for Taxation | 0.00 | 0.00 |
| Deferred Tax | (24.40) | (101.70) |
| Net Loss After Tax | (7738.53) | (18342.92) |
| Add : Surplus / (Deficit) Brought Forward | (12038.59) | 6304.33 |
| (Loss) Available for Appropriation | (19777.12) | (12038.59) |

❖ Highlights of Operations:

Total Revenue:

During the year under review total turnover of the Company to some extent increased by 10.93% from Rs. 52603.47 Lacs to Rs. 58351.97 Lacs as compared to previous financial year ended 31st March, 2013, increase in revenue mainly due to support of Dyes Intermediate business of the company.

❖ Profit before Finance Cost, Depreciation, Tax and Prior period adjustments:

Earning before Finance cost, Depreciation, tax and prior period adjustment increased by 78.72% from Rs. 3475.83 Lacs to Rs. 6212.09 Lacs which is due to increase in price of Dyes Intermediate of the Company.

❖ Total Expense:

During the year under review, The Total Expense increased by 5.59% amounting to Rs. 63238.29 Lacs as Compared to Rs. 59888.90 Lacs of the previous financial year. The increase in total expenses are due to increase in Finance Costs, Depreciation, Employee Benefits Expenses, Manufacturing Expenses and increase in selling and distribution expenses as compared to the previous financial year.

Directors' Report (Contd...)

❖ Net Loss:

During the year under review the Company has achieved success to diminish the huge amount of losses occurred in the previous year. In the Current year the Net Loss had reduced by 58.71% to Rs. 7738.53 Lacs as compared to Rs. 18342.92 Lacs of the previous financial year, the net loss reduced mainly on account of reduction of loss from foreign exchange transactions and also due to support of business operations of the Company as compared to the previous financial year.

❖ Highlights of Consolidated Performance:

| (Rs. in Lacs) | | |
|--|------------------|-------------------|
| Particulars | 2013-14 | 2012-13 |
| Total Revenue | 69211.30 | 55584.09 |
| Profit Before Finance Cost, Depreciation, Tax and Prior period adjustments | 7383.32 | 2506.02 |
| Less : Finance Cost | 8022.18 | 7754.62 |
| Depreciation | 3657.28 | 3476.16 |
| Prior Period adjustments | 31.56 | 20.57 |
| (Loss) before taxation and extra ordinary items | (4327.70) | (8745.33) |
| Less : Extra Ordinary Items | 2876.61 | 11159.19 |
| (Loss) Before Taxation | (7204.31) | (19904.52) |
| Less : Provision for Taxation | 0.00 | 23.18 |
| Deferred Tax | 63.96 | 24.99 |
| Net Loss After Tax | (7268.27) | (19952.70) |
| Add : Share of Profit from Associate | 8259.54 | 0.00 |
| Profit/(Loss) After Tax for the year | 991.27 | (19952.70) |

❖ Highlights of Operations:

Total Revenue:

During the year under review, the total revenue increased by 24.52% from Rs. 55584.09 Lacs to Rs. 69211.30 Lacs as compared to the previous financial year ended 31st March, 2013 due to increase in prices of products of the Company.

❖ Profit before Finance Cost, Depreciation, Tax and Prior period adjustments:

During the year under review, the Profit before Finance Costs, Depreciation, Tax and prior period adjustments increased to Rs. 7383.32 Lacs from Rs. 2506.22 Lacs as compared to the previous financial year. It was mainly due to marginal increase in intermediate price of the Company and effective cost reduction measured taken by the Company.

❖ Total Expense:

During the year under review, the total Expenditure is increased by 14.32% to Rs. 73539.00 Lacs as Compared from Rs. 64,329.42 Lacs of the previous financial year. The reasons for increase in total expenses are only due to increase in Finance Costs, Depreciation, Employee Benefits Expenses and increase of Manufacturing Expenses as compared to the previous financial year.

Directors' Report (Contd...)

❖ Net Profit/(Loss):

During the year under review, the Company had achieved profit of Rs. 991.27 Lacs as compared to the Loss of Rs. 19952.70 Lacs of the previous financial year. It was mainly due to increase in total revenue and decrease in foreign exchange loss and positive contribution of joint venture of the Company.

❖ Dividend:

In view of losses incurred during the financial year 2013-14, your Directors do not recommend any Dividend for the year under review.

❖ Subsidiaries and Consolidated Financial Statements:-

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Company has not attached the Balance Sheet, Statement of Profit and Loss and other documents of the subsidiary companies with the Balance Sheet of the Company.

The Company had prepared Consolidated Financial Statements in accordance with the Generally Accepted Accounting Principles (GAAP). The same has been attached with the Annual Report of the Company. The summary of financial information of each of the subsidiary companies is also attached herewith and forms part of the Annual Report. The Company will provide the Annual Accounts of its subsidiary companies and the related detailed information on specific request made by any shareholder(s).

❖ Listing Fees:

The Equity Shares of your Company are listed and actively traded on the BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE). The Company had paid Annual Listing fees to both the stock exchanges for the Financial Year 2014-2015 within the stipulated time.

❖ Directors:

Appointment of Directors:

Mr. Jayanta Kumar Sinha has been appointed as Nominee Director on behalf of State Bank of India w.e.f. 12th August, 2013.

In compliance with the provisions of Section 149, 152 of the Companies Act, 2013 ("the Act"), other applicable provisions if any of the Act, rules framed thereunder and as per the Circular (Ref No. CIR/CFD/POLICY CELL/2/2014) issued by the Securities And Exchange of Board of India ("SEBI") dated 17th April, 2014 pertaining to amendment in Clause 49 of the Listing Agreement, the Board of Directors of the Company has proposed Mr. Keyoor Bakshi for appointment as Independent Director of the Company with effective from 26th September, 2014 for a period of 5 (Five) consecutive years upto 25th September, 2019 and in compliance of above as well as section 161 of the Act. The Board of Directors has appointed Mr. Mukesh Desai as additional director with effect from 11th August, 2014 and also proposing him for appointment as Independent Director for the period of 5 (five) consecutive years with effective from 26th September, 2014 upto 25th September, 2019.

Re-Appointment of Retiring Directors:

Mr. Pravin Kiri, Chairman of the Company, retires at the ensuing Annual General Meeting (AGM) and being eligible, offers himself for re-appointment. A brief profile of Mr. Pravin Kiri as required under Clause 49 of the Listing Agreement is annexed to the Notice.

Withdrawal of Nominee Director:

IFCI Limited had withdrawn their Nominee Director Mr. V. Anish Babu from the Board of the Company w.e.f. 28th October, 2013.

❖ Auditors and Audit Report:

M/s. V. D. Shukla & Co., Statutory Auditors (Firm Registration No.: 110240W) of the Company, retires at the ensuing Annual General Meeting and is eligible for re-appointment. The Company had received a certificate pertaining to their appointment,

Directors' Report (Contd...)

if made, would be within the limits prescribed under Section 141 of the Companies Act, 2013, other applicable provisions of the Act and rules framed thereunder from time to time.

❖ **Cost Auditors:**

In compliance of the provisions of the Section 148 of the Companies Act, 2013 ("the Act"), other applicable provisions of the Act and rules framed thereunder from time to time, the Board of Directors had appointed M/s. V. H. Savaliya & Associates (Registration No. 100346) as Cost Auditors for audit of Cost records of the Company for the year 2014-15.

❖ **Public Deposits:**

The Company has not accepted any public deposits and as such, no amount on account of principal or in interest thereon was outstanding as on the date of the balance sheet.

❖ **Directors' Responsibility Statement:**

In compliance of Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

1. In the preparation of the annual accounts for the financial year ended 31st March, 2014, all applicable accounting standards have been followed and no material departure have been made from the same;
2. The Directors have selected appropriate accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of the loss of the company for the year under review;
3. The Directors have taken proper and sufficient care to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. The Directors have prepared the annual accounts for the financial year ended 31st March, 2014 on a going concern basis.

❖ **Particulars of Employees:**

During the year under review, none of the employee of the Company is drawing remuneration exceeding the limits prescribed under Section 217(2A) of the Companies Act, 1956.

❖ **Conservation of Energy, Technology Absorption & Foreign Exchange Earnings and Outgo:**

Additional information on conservation of energy, technology absorption, foreign exchange earnings & outgo as required to be disclosed in terms of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosures of Particulars in the Reports of Board of Directors) Rules, 1988, is given as an annexure to this report.

❖ **Corporate Governance & Management Discussion and Analysis:**

The Company has always endeavored to maintain applicable standards of good Corporate Governance as embodied in its vision, mission and corporate values. The report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached and forms part of this report. The requisite certificate from the Statutory Auditors of the Company confirming compliance with the conditions of Corporate Governance as stipulated under the said clause is attached to this report.

❖ **Acknowledgement:**

Your Directors would like to express their appreciation for the assistance and co-operation received from the government, financial institutions, banks, customers, suppliers, business associates and members during the year under review. Your Directors would also like to place on record, sincere appreciation for the significant contribution made by the employees through their dedication and commitment towards the Company.

For and on behalf of the board of Directors

Place : Ahmedabad
Date : 11th August, 2014

Pravin Kiri
Chairman

Directors' Report (Contd...)

Annexure to the Directors' Report

Information as per Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988:

A. CONSERVATION OF ENERGY:

| Sr. No. | Particulars | Particulars |
|---------|--|---|
| a. | Energy Conservation measures taken | The Company has started using gas as compared to other sources of energy and has also initiated generation of in-house power resulting in reduction of cost and pollution free operations. The Company has taken all necessary measures for energy conservation so as to maintain the operating cost to the minimum. The Company has steamed based co-generation power plant, which helps substantial saving in power cost. |
| b. | Additional investments and proposals, if any, being implemented for reduction of consumption of energy | |
| c. | Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods | |
| d. | Total Energy Consumption and energy consumption per unit of production | As per Form A Attached. |

B. TECHNOLOGY ABSORPTION: As per Form B Attached.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

(Rs. in Lacs)

| Particulars | 2013-14 | 2012-13 |
|---------------------------------|----------|---------|
| Total Foreign Exchange outgo | 276.14 | 275.90 |
| Total Foreign Exchange earnings | 17679.50 | 5304.93 |

FORM A

Particulars with respect to Conservation of Energy

| Power and fuel consumption | 2013-14 | 2012-13 |
|-----------------------------|----------|----------|
| 1. Electricity | | |
| Units | 24232581 | 17405078 |
| Total (Rs. in Lacs) | 1950.56 | 1382.76 |
| Rate per Unit (Rs.) | 8.05 | 7.94 |
| 2. Diesel | | |
| Units | 118500 | 74076 |
| Total Amount (Rs. in Lacs). | 67.69 | 36.58 |
| Rate per Unit (Rs.) | 57.12 | 49.38 |
| 3. Furnace Oil | | |
| Units | 99000 | 142330 |
| Total Amount (Rs. in Lacs) | 52.20 | 72.13 |
| Rate per Unit (Rs.) | 52.75 | 50.68 |
| 4. Gas | | |
| Quantity (SCM) | 713132 | 499047 |
| Total Amount (Rs. in Lacs) | 370.34 | 231.59 |
| Rate per Unit (Rs./SCM) | 51.93 | 46.41 |

Annexure to the Directors' Report (Contd...)

FORM- B TECHNOLOGY ABSORPTION

| | |
|---|--|
| 1. Specific areas in which R & D was carried out by the Company | The Company is fully equipped with the Research and Development facilities and is constantly engaged in developing products as per specification of the customers. The Company is updating manufacturing process of the existing products leading to reduction in process time and cost of production and also in developing new products. |
| 2. Benefits derived as a result of the above (R & D) | |
| 3. Future Plan of Action | The Company is continuously trying and will also try to absorb new technology available in the market to improve production processes which leads to reduce cost of production per unit. |

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION: Nil

Place : Ahmedabad
Date : 11th August, 2014

For and on behalf of the Board of Directors

Pravin Kiri
Chairman

Management Discussion and Analysis Report

Industry Structure and Development:

With Asia's growing contribution to the global chemical industry, India emerges as one of the focus destinations for chemical Companies worldwide. Focused growth and planning for the chemical sector would enhance the global competitiveness and increase domestic value addition through the chemical sector and to provide technological depth which lead to sustained economic growth. In order to realize the economic growth and leverage the chemical industries would require significant investments in capacity creation, technology development, access to feedstock and a larger pool of skilled human resources. The Indian chemical industry can deliver on an accelerated growth phase, provided a clearly defined vision along with a strategic roadmap can be provided to grow and compete with global chemical companies.

Kiri Industries Limited ("KIL") engaged in the business of Production and Marketing of Reactive Dyes, Dye Intermediates and Basic Chemicals and it has fully backward integrated process to manufacture Dyes, Dye Intermediates and basic chemicals. KIL has started business operations since 1998 and with constant efforts and technology upgradation are producing quality products. Over the years with strong relationships and product basket, the Company has established large sales network with many countries.

KIL aims to capitalize an opportunity for high growth in chemicals and dyes industry with reduction in operating cost and to focus on research & development, quality controls, testing & packaging, long term relationships with customers, distributors, agents & dealers which lead to compete with domestic and international players. KIL's strategy is to provide utmost customer satisfaction by being close to clients through extensive research and development, continuous empowerment of human resources and quality control.

Outlook and Opportunities:

Chemical Industry is one of the fast growing industries under the Indian Economy. It is also one of the oldest domestic industries of India which started working soon after Independence in 1947. This industry is at turning point as shifts in society, environment, macroeconomics and technology bring a new set of challenges and opportunities in the new decade.

This industry is a key industry. Its products and services are instrumental in meeting the needs of mankind. It is present in all areas of life, from food and clothing, housing, communications, transport - right through to leisure activities. In addition, it is also ancillary industry for other sectors like energy sector, power and information technologies sector. It also plays major role in providing and supporting performance improvements, research and development progress and also create employment in other industries.

KIL believes that it has established a reputation as a manufacturer of superior quality products. In order to cater the changing needs of its customers, the Company has set up an in-house research and development facility in India to develop best product mix and processes, which lead to compete with domestic and international players.

Threats, Risks and Concerns:

The Company is a leading manufacturer and suppliers of Dyes, Intermediates and Basic chemicals. However, the following major factors may hamper business operation as well as growth of the Company:

- (a) Volatility in prices of raw material especially crude oil and transportation cost on account of increase in fuel price, can adversely affect the business operations of the Company,
- (b) The Company is doing business with various countries, therefore, our business operations and growth is dependent upon the political, climatic, economic, regulatory and social environment of such countries.
- (c) The Company is a leading exporter therefore; the volatility in foreign exchange rates may affect our margin.
- (d) Any regulatory change in the government policies, local environment regulations and changes in duties and tax, increase in interest rate due to inflation pressure may affect our business operations, financial performance and future growth.
- (e) Irregular supply of the raw materials can also affect the business of the Company.

Internal Control systems and its adequacy:

The Company has well designed and adequate Internal Control system commensurate with its size and the nature of its operations.

Management Discussion and Analysis Report (Contd...)

These have been designed to provide reasonable assurance with regards to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorised use, executing transactions with proper authorisation and ensuring compliance of corporate policies. The Internal Auditors of the Company periodically meets audit committee of the Company and is also providing summary of their report to the Audit Committee of the Company.

Development in Human Resources:

The Company has established processes and policies to ensure health, safety and welfare of its employees. The Company has undertaken various safety measures like Job safety assessment and construction methodologies, adherence to safety norms at project sites, hands-on training on safety. The Company established sound and proactive industrial relations with all the stakeholders. The changing business scenario necessitates continuous development of employees in terms of skills and competencies in line with the Company's requirements.

Your Company believes that the achievement of its growth objectives will depend largely on the ability to innovate continuously, connect closely with the customer, and create and deliver superior and unmatched customer value.

Performance of the Company:

A. Standalone financial Performance:

The performance of the Company has been quite positive by way of reducing the losses in the standalone financial statements and making profit in the consolidated financial statements as compared to the preceding financial year 2012-13:

i) **Net Sales and Other Income:**

During the financial year 2013-14, net sales and other income of the Company has increased by 10.93% from Rs. 52603.47 Lacs to Rs. 58351.97 Lacs as compared to the previous financial year 2012-13.

ii) **Expenditure:**

The total expenditure increased by 5.59% from Rs. 59888.90 Lacs to Rs. 63238.29 Lacs as compared to the previous financial year 2012-13.

iii) **Employee benefits expenses:**

The Employee benefits expenses increased by 27.27% from Rs. 1571.29 Lacs to Rs. 1999.77 Lacs as compared to the previous financial year 2012-13.

iv) **Finance Cost:**

The finance cost increased by 2.38% from Rs. 7542.49 Lacs to Rs. 7726.23 Lacs as compared to the previous financial year 2012-13.

v) **Manufacturing Expenses:**

The manufacturing expenses increased by 36.81% from Rs. 3319.72 Lacs to Rs. 5253.93 Lacs as compared to the previous financial year 2012-13.

vii) **Net Loss:**

In the current year the Company has reported Net Loss of Rs. 7738.53 Lacs as compared to Rs. 18342.92 Lacs of the preceding financial year 2012-13.

viii) **Non Current Liabilities:**

The non current liabilities have increased from Rs. 51431.43 Lacs to Rs. 51649.89 Lacs as compared to the previous financial year 2012-13.

ix) **Current Liabilities:**

The current liabilities have increased from Rs. 34689.45 Lacs to Rs. 41518.48 Lacs as compared to the previous financial year 2012-13.

Management Discussion and Analysis Report (Contd...)

x) Non Current Assets:

The non current assets have declined from Rs. 57338.84 Lacs to Rs. 56412.89 Lacs as compared to the previous financial year 2012-13.

xi) Current Assets:

The current assets have declined from Rs. 49389.55 Lacs to Rs. 48108.41 Lacs as compared to the previous financial year 2012-13.

B. Consolidated Financial Performance:

i) Total Revenue:

The total revenue for F.Y. 2013-14 has increased by 24.52% from Rs. 55584.09 Lacs to Rs. 69211.30 Lacs as compared to the previous financial year 2012-13.

ii) Total Expense:

The total expenses for F.Y. 2013-14 have increased by 14.32% from Rs. 64329.42 Lacs to Rs. 73539.00 Lacs as compared to the previous financial year 2012-13.

iii) Net profit:

In the Current year the Company has achieved net profit amount of Rs. 991.27 lacs as compared to a loss of Rs. 19952.70 Lacs of the preceding financial year 2012-13.

iv) Non Current Liabilities:

The non current liabilities for F.Y 2013-14 have decreased from Rs. 52341.96 Lacs to Rs. 52324.29 Lacs as compared to the preceding financial year 2012-13.

v) Current Liabilities:

The current liabilities for F.Y 2013-14 have increased from Rs. 40350.50 Lacs to Rs. 50946.12 Lacs as compared to the preceding financial year 2012-13.

vi) Non Current Assets:

The non current assets for F.Y 2013-14 have increased from Rs. 58105.82 Lacs to Rs. 65432.75 Lacs as compared to the preceding financial year 2012-13.

vii) Current Assets:

The current assets for F.Y 2013-14 have increased from Rs. 53277.08 Lacs to Rs. 55809.89 Lacs as compared to the preceding financial year 2012-13.

Cautionary statement:

Certain statements made in this Report relating to the Company's outlook, estimates, predictions etc. may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results may differ from such estimates, whether express or implied. Several factors that could make a difference to Company's operations include climatic conditions and economic conditions affecting demand and supply, changes in Government regulation tax regimes, natural calamities, etc. over which the Company does not have any direct control.



Report on Corporate Governance

Report on Corporate Governance

Sound Corporate Governance Practices are prerequisites for building successful enterprises. The Company's visionary founder had laid the foundation for good governance and made it an integral part of the business. These practices manifest in high standards of accountability, transparency, social responsiveness, operational efficiencies, best ethical practices and result in maximizing the shareholders' value, protect the interest of all stakeholders besides complying with the regulatory requirements.

The Company is committed to take business decisions that are ethical and in compliance with the applicable laws. By combining ethical principles with business acumen, the Company aims to maintain its sound position in the industry. The demands of corporate governance require professionals to raise their competence and capability levels to meet the expectations in managing the enterprise and its resources, effectively with the highest standards of ethics.

The Company's philosophy on Corporate Governance:

The business of the Company is ethically driven and it is committed to values aimed at enhancing an organization's wealth generating capacity. This is ensured by taking ethical business decisions and conducting business with a firm commitment to values, while meeting stakeholder's expectations. It has a strong legacy of fair, transparent and ethical governance practices. It continues to focus its resources, strengths and strategies to achieve its vision and mission and it believes in adopting the best practices of corporate governance.

The corporate governance philosophy of the Company has been further strengthened with the adoption of the Code of Conduct. The Company endeavors to strike and deliver the highest governing standards for the benefit of its stakeholders.

A report on the matters and the practices followed by the Company is detailed herein below:

1. Board of Directors:

The Board of Directors represents a healthy blend of knowledge and experience. The primary role of the Board is to protect and enhance shareholder value through strategic supervision. It is the apex body constituted by the shareholders for overseeing the Company's overall functioning. It provides and evaluates the Company's strategic direction, management policies and their effectiveness, and ensures that shareholders' long-term interests are being served.

- (a) As on 31st March, 2014, the Board of Directors of the Company ("the Board") consists of optimum combination of Executive and Non-Executive Directors. The Board has five members comprising of two Executive Directors and three Non-Executive Independent Directors including two Nominee Directors. The majority of Board members are Non-Executive Independent Directors as per the requirement of Clause 49 of the Listing Agreement.
- (b) None of the Directors on the Board 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 disclosures regarding their Directorship/Membership in other companies as on 31st March, 2014 has been made by all Directors.
- (c) The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year 2013-14, attendance at the last Annual General Meeting and the number of Directorship and Committee Chairmanships/ Memberships held by them in other companies are given herein. Other Directorships do not include Alternate Directorships, Directorships of private limited companies, Companies formed under section 8 of the Companies Act, 2013 and foreign companies. Chairmanship/ Membership of Board Committees include only Audit Committee and Shareholders Grievance Committee.

None of the Directors are related inter-se except Mr. Pravin A. Kiri and Mr. Manish P. Kiri.

Report on Corporate Governance (Contd...)

| Name of Directors | Category | No. of Board Meetings held and attended during the year 2013-2014 | | Attendance at Last AGM held on 23.09.2013 | No. of Directorships in other Public Companies | No. of Committee positions held in other Public Companies | |
|--------------------------|--|---|----------|---|--|---|--------|
| | | Held | Attended | | | Chairman | Member |
| Mr. Pravin A. Kiri | Chairman | 5 | 4 | Yes | 1 | - | 1 |
| Mr. Manish P. Kiri | Managing Director | 5 | 5 | Yes | 1 | 1 | - |
| Mr. Keyoor M. Bakshi | Non – Executive Independent Director | 5 | 5 | Yes | 1 | - | - |
| Mrs. Harsha Bangari | Nominee Director – EXIM Bank | 5 | 3 | No | - | - | - |
| *Mr. V. Anish Babu | Nominee Director – IFCI Limited | 5 | - | No | 2 | - | - |
| @Mr. Jayanta Kumar Sinha | Nominee Director – State Bank of India | 5 | 4 | No | 1 | - | - |

Note: *IFCI Limited has withdrawn their Nominee Director Mr. V Anish Babu w.e.f. 28th October, 2013.

@ Mr. Jayanta Kumar Sinha – appointed as Nominee Director on behalf of State Bank of India w.e.f. 12th August, 2013.

(d) Board Procedure:

The Board of Directors meets atleast once a quarter to review the performance and financial results. A detailed agenda is sent to all the Directors of the Company well in advance. The Chairman/Managing Director briefs the Directors at every Board Meeting on the overall performance of the Company. All major decisions/approvals are taken at the Board Meeting.

The Board of Directors duly met (5) five times during the year on 28th May, 2013, 12th August, 2013, 23rd September, 2013, 29th October, 2013 and 10th February, 2014.

The time gap between any two board meetings did not exceed four months.

2. AUDIT COMMITTEE:

(a) Composition of Audit Committee as on 31st March, 2014:

| Name of the Members | Designation | Category |
|-------------------------|-------------|------------------------------------|
| Mr. Keyoor M. Bakshi | Chairman | Non-Executive Independent Director |
| Mr. Manish P. Kiri | Member | Promoter & Executive Director |
| Mrs. Harsha B. Bangari | Member | Non-Executive Independent Director |
| Mr. Jayanta Kumar Sinha | Member | Non-Executive Independent Director |

➤ Mr. Jayanta Kumar Sinha - Nominee Director of State Bank of India has been appointed as member of Audit Committee as well as Remuneration Committee w.e.f. 29th October, 2013.

➤ Mr. Suresh S. Gondalia, Company Secretary & Compliance Officer acts as a Secretary to the Committee.

Report on Corporate Governance (Contd...)

(b) Terms of reference:

The terms of reference of Audit Committee are in compliance with the provisions of Clause-49 of the Listing Agreement and Section 292A of the Companies Act, 1956. Major terms of reference of the Committee include overseeing the financial reporting process, review of the financial statements, ensuring compliance with the regulatory guidelines, review of internal audit reports, recommending appointment and remuneration of the statutory auditors to the Board of Directors and review adequacy of internal control systems and internal audit function.

(c) Attendance of each member at the Audit Committee meetings held during the year:

| Name | Category | No. of Meetings During the year 2013-14 | |
|-------------------------|------------------------------------|---|----------|
| | | Held | Attended |
| Mr. Keyoor M. Bakshi | Non-Executive Independent Director | 5 | 5 |
| Mr. Manish P. Kiri | Promoter & Executive Director | 5 | 5 |
| Mrs. Harsha B. Bangari | Non-Executive Independent Director | 5 | 3 |
| Mr. V. Anish Babu | Non-Executive Independent Director | 5 | - |
| Mr. Jayanta Kumar Sinha | Non-Executive Independent Director | 5 | 1 |

Due to withdrawn of Mr. V. Anish Babu as Nominee Director by IFCI Limited, Mr. Jayanta Kumar Sinha – Nominee Director of State Bank of India has been appointed as member of Audit Committee w.e.f. 29th October, 2013 and the Board of Directors had approved the reconstitution of the said Committee.

(d) During the year 5 (Five) Audit Committee meetings were held on 28th May, 2013, 12th August, 2013, 23rd September, 2013, 29th October, 2013 and 10th February, 2014.

3. REMUNERATION COMMITTEE:

(a) Terms of Reference:

The Company has complied with the non-mandatory requirement of Clause 49 of the Listing Agreement by forming a Remuneration Committee.

The Remuneration Committee reviews and recommends remuneration, promotions, incentives, performance bonus, increments etc. for the Executive Directors of the Board and senior managerial personnel of the Company.

(b) Composition of the Committee as on 31st March, 2014:

The Committee comprises of the following members:

| Name of the Members | Designation | Category |
|--------------------------|-------------|------------------------------------|
| Mr. Keyoor M. Bakshi | Chairman | Non-Executive Independent Director |
| Mrs. Harsha B. Bangari | Member | Non-Executive Independent Director |
| *Mr. Jayanta Kumar Sinha | Member | Non-Executive Independent Director |

Due to withdrawn of Mr. V. Anish Babu as Nominee Director by IFCI Limited, Mr. Jayanta Kumar Sinha – Nominee Director of State Bank of India has been appointed as member of Remuneration Committee w.e.f. 29th October, 2013 and the Board of Directors had approved the reconstitution of the said Committee.

(c) Shareholding of Non-Executive Directors as on 31st March, 2014:

None of the Non-Executive Directors holds any shares and Convertible instruments of the Company.

(d) Remuneration Policy:

The Remuneration Committee has been constituted to review remuneration payable to Executive Directors. The Remuneration policy of the Company is directed towards rewarding performance, based on review of achievements on a periodic basis.

Report on Corporate Governance (Contd...)

(e) Remuneration paid to Directors:

Executive Directors:

The aggregate value of salary and perquisites paid for the year ended 31st March, 2014 to the Executive Directors are as follows:

(Rs. in Lacs)

| Name | Designation | Salary | Perquisites & allowances | Total |
|--------------------|-------------------|--------|--------------------------|-------|
| Mr. Pravin A. Kiri | Chairman | 12.00 | Nil | 12.00 |
| Mr. Manish P. Kiri | Managing Director | 12.00 | Nil | 12.00 |

During the year, no other incentives have been given by the Company to the Executive Directors.

Executive Directors are not paid sitting fees for attending the meetings of Board of Directors or Committee thereof.

Non-Executive Directors:

Sitting fees paid to Non-Executive Directors during the financial year 2013-14 are as under:

| Name | Sitting Fees (in Rs.) |
|-------------------------|-----------------------|
| Mr. Keyoor M. Bakshi | 52,500 |
| Mrs. Harsha B. Bangari | 42,500 |
| Mr. Jayanta Kumar Sinha | 22,500 |

(f) Attendance of each member at the Remuneration Committee meeting held during the year:

| Name | Category | No. of Meetings During the year 2013-14 | |
|------------------------|------------------------------------|---|----------|
| | | Held | Attended |
| Mr. Keyoor M. Bakshi | Non-Executive Independent Director | 1 | 1 |
| Mrs. Harsha B. Bangari | Non-Executive Independent Director | 1 | 1 |
| Mr. V. Anish Babu | Non-Executive Independent Director | 1 | - |

(g) During the year 1 (one) Remuneration Committee meeting was held on 28th May, 2013.

There were no other pecuniary relationships or transactions of Non-Executive Directors vis-à-vis the Company. The Company has not granted any stock option to any of its Non-Executive Directors.

4. SHAREHOLDERS' / INVESTORS' GRIEVANCES COMMITTEE:

The Shareholders' / Investors' Grievances Committee is empowered to perform the functions of the Board in relation to handling of Shareholders' / Investors' grievances received from time to time.

(a) Composition of the Committee as on 31st March, 2014:-

| Name of the Members | Designation | Category |
|----------------------|-------------|------------------------------------|
| Mr. Keyoor M. Bakshi | Chairman | Non-Executive Independent Director |
| Mr. Manish P. Kiri | Member | Executive Director |
| Mr. Pravin A. Kiri | Member | Executive Director |

Mr. Suresh S. Gordalia, Company Secretary and Compliance Officer acts as a Secretary to the Committee.

The Committee met from time to time to review redress the Shareholders'/Investors' Grievances.

(b) The Committee is authorized to:

- Approve share transfers, transmission and remat related requests;
- Specifically look into the redressal of complaints of investors such as non-receipt of Dividend, Notices and Annual Report, etc.;

Report on Corporate Governance (Contd...)

(c) Details of investor complaints received and redressed during the year 2013-14 are as follows:

| Opening Balance | Received During the year | Resolved during the year | Closing Balance |
|-----------------|--------------------------|--------------------------|-----------------|
| ----- NIL ----- | | | |

(d) Attendance of each member at the Shareholders' / Investors' Grievances Committee meeting held during the year:

| Name | Category | No. of Meetings During the year 2013-14 | |
|----------------------|------------------------------------|--|----------|
| | | Held | Attended |
| Mr. Keyoor M. Bakshi | Non-Executive Independent Director | 1 | 1 |
| Mr. Pravin A. Kiri | Promoter & Executive Director | 1 | 1 |
| Mr. Manish P. Kiri | Promoter & Executive Director | 1 | 1 |

(e) During the year 1 (one) Committee meeting held on 26th March, 2014.

5. SUBSIDIARY COMPANIES:

All subsidiary companies of the Company are managed by their respective Boards having the rights and obligation to manage such companies in the best interest of their stakeholders.

None of the subsidiaries of the Company comes under the purview of the Material Non-Listed Indian Subsidiary as prescribed under clause 49 of Listing Agreement.

6. GENERAL BODY MEETINGS:

(i) Details of Annual General Meetings held during the last three Financial Years:

| Financial Year | Date | Time | Location |
|----------------|----------------------------------|------------|---|
| 2012-13 | 23 rd September, 2013 | 10.30 a.m. | Hall No. S-14, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad - 380 015 |
| 2011-12 | 29 th September, 2012 | 11.30 a.m. | Hall No. S-3, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad - 380 015 |
| 2010-11 | 29 th September, 2011 | 11.30 a.m. | H. T. Parekh Hall, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad- 380 015 |

No Special Resolutions were passed at last three AGMs.

7. DISCLOSURES:

• Legal Compliances:

There were no instances of material non-compliances during the year under review. No strictures or penalties were imposed on the Company by SEBI, Stock Exchanges or any statutory authority on any matter related to capital markets during the last three years.

• Code of Business Conduct:

The Company has adopted a Code of Business Conduct and Ethics based on the business principles of the Company which is already posted on the website of the Company. In compliance with the Code, Directors and senior management of the Company have affirmed their compliance with the Code for the year under review. In our Company, the Board of Directors and employees have a responsibility to understand and follow the Code of Business Conduct. A declaration to this effect signed by the Managing Director is attached herewith and forms part of this Annual Report.

• Related Party Transactions:

Transactions with the related parties during the year were placed before the Audit Committee for review and the same were submitted to the Board for their approval. Adequate care was taken to ensure that potential conflict of interest did not harm the interests of the Company at large.

• Compliance with Corporate Governance Code:

The Company has complied with all the mandatory requirements laid down by the Corporate Governance Code. The Company has also complied with the non-mandatory requirement by setting up a Remuneration Committee as per Clause 49 of the Listing Agreement.

Report on Corporate Governance (Contd...)

8. MEANS OF COMMUNICATION:

The quarterly financial results of the Company are generally published in the English newspaper circulated in India and regional language newspaper. The results are also displayed on the Company's website www.kiriindustries.com

9. GENERAL SHAREHOLDER INFORMATION:

- | | |
|---|---|
| 1. AGM Date, time and Venue | Date : 26 th September, 2014 Time : 10.30 a.m. Venue : Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad - 380 015 |
| 2. Financial year | 1 st April, 2014 to 31 st March, 2015 |
| 3. Book Closure Date | Monday, 22 nd September, 2014 to Friday, 26 th September, 2014 (both days inclusive) |
| 4. Listing on Stock Exchange | - The BSE Limited 1 st Floor, Rotunda Building, B.S. Marg, Fort, Mumbai - 400 001 - The National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra(E), Mumbai 400 051 |
| 5. Stock Codes/Symbol | 1. The BSE Ltd. : 532967 2. The National Stock Exchange of India Ltd.: KIRIINDUS |
| 6. Corporate Identification Number (CIN) of the Company | L24231GJ1998PLC034094 |
| 7. ISIN | INE415I01015 |
| 8. Plant Locations | Presently Company is engaged in the business of manufacturing Dyes, Dyes Intermediates and Basic Chemicals at its following plants:- • <u>Dyestuff Division:</u> Plot No. 299/1/A&B & 10/8 Near Water Tank, Phase-II, GIDC, Vatva, Ahmedabad 382 445, Gujarat, India • <u>Intermediates Division:</u> Block No. 396 & 390A Village: Dudhwada, Karakhadi, Tal: Padra, Dist: Vadodara, Gujarat, India • <u>Basic Chemicals Division:</u> Block No. 552/A, Village: Dudhwada, Karakhadi, Tal: Padra, Dist: Vadodara, Gujarat, India |
| 9. Address for Correspondence | Company Secretary & Compliance Officer Kiri Industries Limited 7 th Floor, Hasubhai Chambers, Opp. Town Hall, Ellisbridge, Ahmedabad – 380 006 Tel: +91-79-26574371-73; Fax: +91-79-26574374 Email id: info@kiriindustries.com and investor@kiriindustries.com Website: www.kiriindustries.com |
| 10. Registrar and Transfer Agent | Cameo Corporate Services Limited, Subramanian Building # 1, Club House Road, Chennai-600 002 Phone No.: +91-44-2846 0390 Fax No.: +91-44-2846 0129 Email: cameo@cameoindia.com Website: www.cameoindia.com |
| 11. Share Transfer System | Share Transfer requests, which are received in physical form are processed and the share certificates are returned within a period of 15 days from the date of receipt, subject to the documents being in order and complete in all aspects. |

Report on Corporate Governance (Contd...)

12. Dematerialization of Shares

Equity shares of the Company can be traded only in electronic mode by all the investors. The Company has entered into an agreement and established connectivity with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

10. Outstanding Financial Instruments which have an impact on Equity:

The Company has not issued any GDRs/ADRs/warrants as on date.

11. MARKET PRICE DATA:

Monthly high, low prices and number of shares traded from April, 2013 to March, 2014 on the BSE Limited and the National Stock Exchange of India Limited are as follows:

| Months | The BSE Limited | | | The National Stock Exchange of India Limited | | |
|--------------|-----------------|-----------|----------------------------|--|-----------|----------------------------|
| | High (Rs.) | Low (Rs.) | Total No. of Shares Traded | High (Rs.) | Low (Rs.) | Total No. of Shares Traded |
| April-13 | 10.25 | 6.95 | 640005 | 10.40 | 6.65 | 496183 |
| May-13 | 8.85 | 6.90 | 485474 | 8.85 | 6.85 | 608196 |
| June-13 | 7.65 | 5.40 | 417615 | 7.50 | 5.65 | 345308 |
| July-13 | 6.65 | 4.05 | 382586 | 6.75 | 4.05 | 694842 |
| August-13 | 10.72 | 4.40 | 204144 | 11.00 | 4.30 | 577165 |
| September-13 | 16.60 | 11.25 | 597676 | 16.85 | 11.55 | 1197861 |
| October-13 | 28.07 | 12.52 | 479227 | 28.40 | 12.55 | 1874219 |
| November-13 | 57.55 | 29.45 | 805953 | 57.35 | 29.80 | 1130526 |
| December-13 | 65.85 | 47.55 | 764526 | 65.30 | 47.65 | 780588 |
| January-14 | 61.90 | 50.10 | 346986 | 61.95 | 55.25 | 517191 |
| February-14 | 55.65 | 49.60 | 127722 | 55.75 | 48.60 | 159224 |
| March-14 | 96.25 | 45.00 | 676141 | 96.80 | 44.40 | 1110562 |

12. SHAREHOLDING PATTERN AND DISTRIBUTION SCHEDULE:

A. Shareholding Pattern as on 31st March, 2014:

| Sr. No. | Categories | No. of Shares | % of Total Holding |
|---------|---|-----------------|--------------------|
| 1 | Promoters and Promoter Group | 4893432 | 25.75 |
| 2 | Individuals | 6571532 | 34.59 |
| 3 | Financial Institutions & Banks | 1572766 | 8.28 |
| 4 | Bodies Corporate | 3100047 | 16.32 |
| 5 | Clearing Members | 378587 | 1.99 |
| 6 | Foreign Nationals & Non Resident Indians (NRIs) | 426531 | 2.24 |
| 7 | Hindu Undivided Family | 393511 | 2.07 |
| 8 | Foreign Institutional Investors (FIIs) | 1663647 | 8.76 |
| | Total | 19000053 | 100.00 |

Report on Corporate Governance (Contd...)

B. Distribution Schedule as on 31st March, 2014:

| No. of Shares | No. of Shareholders | % of Shareholders | No. of Shares Held | % of Total Shares |
|------------------|---------------------|-------------------|--------------------|-------------------|
| 1-1000 | 4811 | 60.81 | 204904 | 1.08 |
| 1001 - 5000 | 1803 | 22.79 | 482928 | 2.54 |
| 5001 - 10000 | 485 | 6.13 | 397659 | 2.09 |
| 10001 - 20000 | 299 | 3.78 | 457513 | 2.41 |
| 20001 - 30000 | 101 | 1.28 | 260626 | 1.37 |
| 30001 - 40000 | 77 | 0.97 | 271607 | 1.43 |
| 40001- 50000 | 65 | 0.82 | 305916 | 1.61 |
| 50001- 100000 | 117 | 1.48 | 881987 | 4.64 |
| 100001 and above | 153 | 1.93 | 15736913 | 82.83 |
| Total | 7911 | 100.00 | 19000053 | 100.00 |

13. POSITION OF SHARES AS ON 31st MARCH, 2014:

The Percentage of Shares held in NSDL (78.6933%), CDSL (20.7657%) and in Physical Form (0.5410%).

For and on behalf of Board of Directors

Date : 11th August, 2014
Place : Ahmedabad

Pravin Kiri
Chairman

CONFIRMATION ON CODE OF CONDUCT

To the Members of Kiri Industries Limited

This is to confirm that the Board has laid down a code of conduct for Board Directors and entire senior management of the Company. It is further confirmed that all the Directors and senior management of the Company have affirmed compliance with the Code of Conduct of the Company as at 31st March, 2014, as envisaged in Clause 49 of the Listing Agreement.

For Kiri Industries Limited

Date : 11th August, 2014
Place : Ahmedabad

Manish Kiri
Managing Director

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of Kiri Industries Limited

We have examined the compliance of conditions of Corporate Governance by Kiri Industries Limited ("the Company"), for the year ended 31st March, 2014 as stipulated in Clause 49 of the Listing Agreement with Stock Exchanges.

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 implementation thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and based on 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 Listing Agreement.

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

For V. D. Shukla & Co.
Chartered Accountants
Firm Registration No. 110240W

Vimal D. Shukla
Proprietor
Membership No. 036416

Place : Ahmedabad
Date : 11th August, 2014

Independent Auditors' Report

To,
The Members,
Kiri Industries Limited.

Report on the Financial Statements

We have audited the accompanying financial statements of Kiri Industries Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and Cash Flow Statement for the year ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements 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:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

Independent Auditors' Report (Contd...)

2. As required by section 227(3) of the Act, we report that:
- 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;
 - 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 [and proper returns adequate for the purposes of our audit have been received from branches not visited by us];
 - The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account [and with the returns received from branches not visited by us]
 - In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For V. D. Shukla & Co.
Chartered Accountants
Firm Registration No. 110240W

Vimal D. Shukla
Proprietor
Membership No. 036416

Place : Ahmedabad
Date : 11th August, 2014

Annexure to the Auditors' Report

The Annexure referred to in paragraph 1 of the Our Report of even date to the members of Kiri Industries Limited on the accounts of the company for the year ended 31st March, 2014.

On the basis of such verification as we considered appropriate and according to the information and explanation given to us during the course of our audit, we report that:

1. (a) The company has generally maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- (b) As explained to us, fixed assets, according to the practice of the company, have been physically verified by the management at reasonable intervals in a phased verification programme, which our opinion, is reasonable looking to the size of the company and nature of its assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) In our opinion and according to the information and explanations given to us, no fixed asset has been disposed during the year and therefore does not affect the going concern assumption.
2. (a) As explained to us, inventories have been physically verified during the year by the management at reasonable intervals.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) On the basis of our examination of the inventory records of the Company, we are of the opinion that, the Company is maintaining proper records of its inventory. The discrepancies which were noticed on physical verification of inventory as compared to book records, have been properly dealt with in the books of accounts.
3. (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the company has granted unsecured loan to a Company covered in the register maintained under Section 301 of the Companies Act, 1956. We are of the opinion that the terms and conditions of loan are not prima facie prejudicial to the interest of the Company. The maximum amount involved during the year was Rs. 455.64 lacs and the period-end balance of the loan granted was Rs. 349.32 lacs. The terms of repayment of principal and interest have not been stipulated and hence, the question of overdue amount does not arise.
- (b) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has not taken any loans from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there is generally an adequate internal control procedure commensurate with the size of the company and the nature of its business, for the purchase of inventories & fixed assets and payment for expenses & for sale of goods. During the course of our audit, no major instance of continuing failure to correct any weaknesses in the internal controls has been noticed.
5. a) Based on the audit procedures applied by us and according to the information, explanations and representation provided by the management, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
- b) In our opinion and according to our information and explanation given to us, the transactions made in pursuance of such contracts or arrangements entered in the register under section 301 of the Companies Act, 1956, in respect of any party during the period have been made at price which are reasonable having regard to the prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the company has not accepted deposits from the public, and therefore the questions of compliance of the provisions of Section 58A and 58 AA of the Companies Act, 1956 and the rules framed there under and the directives issued by the Reserve Bank of India does not arise. No order has been passed by Company Law Board, Reserve Bank of India or any Court or any other Tribunal.
7. According to the information and explanation given to us and on the basis of such verification as we considered appropriate, the company has an internal audit system commensurate with its size and nature of its business.

Annexure to the Auditors' Report (Contd...)

8. We have broadly reviewed the books of accounts maintained by the company pursuant to the notification of the Central Government for maintenance of the cost records u/s 209(1)(d) of the companies Act, 1956 and on the basis of such review, we are of the opinion, that prima-facie, the prescribed accounts and records have been made and maintained. We have not, however, carried out a detailed examination of the same.
9. (a) According to its records it is observed that the company is irregular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and any other material statutory dues with the appropriate authorities.
- (b) According to the information and explanations given to us, there are some dues in respect of Income Tax, Value Added Tax and Service Tax but there are no dues in respect of Excise Duty, Customs Duty, Wealth Tax, Cess and other statutory dues are outstanding as on 31st March, 2014 which are due for a period of less than six months from the date they became due. There are no disputes with any of the above authorities.
- (c) The disputed statutory dues that have not been deposited on account of disputed matters pending before appropriate authorities are as under.

| Sr. No | Name of the Statute | Name of the Dues | Section under which dispute is pending | Period to which amount relates (FY) | Amount (Rs. In Lacs) | Forum where the dispute is pending |
|--------|------------------------------|---------------------|--|-------------------------------------|----------------------|---|
| 1 | The Income Tax Act, 1961 | Income Tax | Regular Assessment u/s 143(3) | 2002-03 | 193.17 | Income Tax Appellate Tribunal |
| | | | | 2005-06 | 58.59 | Income Tax Appellate Tribunal |
| | | | | 2007-08 | 109.33 | Income Tax Appellate Tribunal |
| | | | | 2008-09 | 21.18 | Income Tax Appellate Tribunal |
| | | | | 2009-10 | 19.89 | Commissioner of Income Tax (Appeals) |
| | | | Penalty u/s 271(1) (c) | 2002-03 | 139.02 | Income Tax Appellate Tribunal |
| | | | | 2005-06 | 53.68 | Income Tax Appellate Tribunal |
| 2 | The Central Excise Act, 1944 | CENVAT Refund | | 2009-10 | 341.08 | High court |
| | | | | 2009-10 | 83.74 | Central Excise and Service Tax Appellate Tribunal |
| | | | | 2010-11 | 255.23 | Central Excise Commissioner Appeal |
| | | | | 2010-11 | 153.73 | High Court |
| | | Similar Goods | | 2010-11 | 344.00 | Central Excise Commissioner Appeal |
| | | | | 2011-12 | 4.09 | Central Excise Commissioner Appeal |
| | | Differential Duties | | 2011-12 | 21.40 | Central Excise Commissioner Appeal |

Annexure to the Auditors' Report (Contd...)

10. The Company has accumulated losses and has incurred cash losses during the financial year covered by our audit and has also incurred cash losses in the immediately preceding financial year. The accumulated losses have exceeded fifty percent of the net worth of the company during the year under review.
11. In our opinion and according to the information and the explanations given to us, during the current year the Company has defaulted in repayment of its dues towards principal and interest to various banks and financial institution on due dates to the extent and for the period as given in note No. 4. Also the working capital limits have been overdrawn to the extent of Rs. 78.83 lacs.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. As informed to us, the provisions of any special statute applicable to chit fund are not applicable to the Company.
14. The company is not dealing or trading in shares, securities, debentures and other investments, therefore, the question of maintaining records in respect of transactions and contracts does not arise.
15. In our opinion and according to the information and explanations given to us, the terms and conditions on which the company has given guarantees for the loans taken by others from banks are not prejudicial to the interest of the company.
16. On the basis of the records examined by us and relying on the information compiled by the Company for correlating the funds raised to the end use of term loans, we report that the Company has generally applied the term loans for the purposes for which they were obtained.
17. According to the information and explanations given to us and on an overall examination of the Financial Statements of the Company and after placing reliance on the reasonable assumptions made by the Company for classification of long term and short term usages of funds, we are of the opinion that, prima-facie, as at the close of year, short term funds with negligible exceptions have not been utilised for long term purposes and vice – versa.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
19. The Company has outstanding towards non convertible redeemable debentures of Rs. 4,000.00 lacs issued in earlier financial year which are secured by way of first pari passu charge on the fixed assets of intermediate plants and basic chemical plants of the company and personal guarantee of promoters/directors of the company.
20. The Company has not raised any money by public issue during the year.
21. Based on the audit procedures performed and the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the year, nor have we been informed of such case by the management.

For V. D. Shukla & Co.
Chartered Accountants
Firm Registration No. 110240W

Vimal D. Shukla
Proprietor
Membership No. 036416

Place : Ahmedabad
Date : 11th August, 2014

Balance Sheet as at 31st March, 2014

| (Rs. in Lacs) | | | |
|--------------------------------|-------|---------------------------------------|---------------------------------------|
| Particulars | Notes | As At 31 st March, 2014 | As At 31 st March, 2013 |
| EQUITY AND LIABILITIES | | | |
| SHAREHOLDERS' FUNDS | | | |
| Share Capital | 2 | 1,900.01 | 1,900.01 |
| Reserves and Surplus | 3 | 9,452.92 | 17,407.41 |
| Share Application Money | | - | 1,300.00 |
| | | 11,352.93 | 20,607.42 |
| NON-CURRENT LIABILITIES | | | |
| Long-term borrowings | 4 | 49,544.81 | 49,301.94 |
| Deferred tax liabilities (Net) | 5 | 2,105.08 | 2,129.48 |
| | | 51,649.89 | 51,431.42 |
| CURRENT LIABILITIES | | | |
| Short-term borrowings | 6 | 15,287.75 | 15,313.17 |
| Trade payables | 7 | 5,637.52 | 8,870.24 |
| Other current liabilities | 8 | 20,455.08 | 10,362.09 |
| Short-term provisions | 9 | 138.13 | 143.95 |
| | | 41,518.48 | 34,689.45 |
| Total | | 104,521.30 | 106,728.29 |
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Fixed assets | | | |
| Tangible assets | 10 | 26,319.99 | 26,478.06 |
| Capital work-in-progress | 10 | 10,907.54 | 10,884.82 |
| | | 37,227.53 | 37,362.88 |
| Non-current investments | 11 | 16,977.49 | 16,664.89 |
| Long-term loans and advances | 12 | 2,142.74 | 3,166.65 |
| Other non-current assets | 13 | 65.13 | 144.42 |
| | | 19,185.36 | 19,975.96 |
| CURRENT ASSETS | | | |
| Inventories | 14 | 9,098.75 | 14,927.06 |
| Trade receivables | 15 | 31,966.60 | 29,510.37 |
| Cash and cash equivalents | 16 | 616.39 | 285.67 |
| Short-term loans and advances | 17 | 6,351.97 | 4,585.63 |
| Other current assets | 18 | 74.70 | 80.72 |
| | | 48,108.41 | 49,389.45 |
| Total | | 104,521.30 | 106,728.29 |

Significant Accounting Policies

1

The Note numbers 2 to 48 form integral part of the Financial Statements

As per our separate report of even date attached herewith.

For V. D. Shukla & Co.,
Chartered Accountants
Firm Registration No. 110240W

Vimal D. Shukla
Proprietor
Membership No. 036416
Place : Ahmedabad
Date : 11th August, 2014

For and on behalf of the Board of Directors of Kiri Industries Limited

Pravin Kiri
Chairman

Manish Kiri
Managing Director

Suresh Gondalia
Company Secretary

Place : Ahmedabad
Date : 11th August, 2014

Statement of Profit & Loss for the Year Ended on 31st March, 2014

| | | (Rs. in Lacs) | |
|---|-------|-------------------|--------------------|
| Particulars | Notes | 2013 - 2014 | 2012 - 2013 |
| Revenue from Operations | 19 | 63,939.95 | 57,549.04 |
| Less : Excise duty | | 5,645.45 | 5,087.52 |
| Net Revenue from Operations | | 58,294.50 | 52,461.52 |
| Other Income | 20 | 57.47 | 141.95 |
| Total Revenue | | 58,351.97 | 52,603.47 |
| Expenses: | | | |
| Cost of Materials Consumed | 21 | 35,315.41 | 41,531.12 |
| Purchase of Stock-in-Trade | | 727.75 | 808.21 |
| Changes in Inventories of Finished goods, Work-in-Progress & Stock-in-Trade | 22 | 7,312.80 | 747.97 |
| Employee Benefits Expense | 23 | 1,999.77 | 1,571.29 |
| Finance Costs | 24 | 7,726.23 | 7,542.79 |
| Depreciation | | 3,349.64 | 3,197.90 |
| Other Expenses: | | | |
| Administrative Expenses | 25 | 716.64 | 515.88 |
| Manufacturing Expenses | 26 | 5,253.93 | 3,319.72 |
| Selling & Distribution Expenses | 27 | 813.58 | 633.45 |
| Prior Period Adjustments | 28 | 22.54 | 20.57 |
| Total Expenses | | 63,238.29 | 59,888.90 |
| Loss before extraordinary items and tax | | (4,886.32) | (7,285.43) |
| Less : Extraordinary Items | | 2,876.61 | 11,159.19 |
| Loss Before Tax | | (7,762.93) | (18,444.62) |
| Tax Expense | | | |
| Current Tax | | - | - |
| Net Current Tax | | - | - |
| Deferred Tax | | (24.40) | (101.70) |
| Loss for the year | | (7,738.53) | (18,342.92) |
| Earning per equity Share | | | |
| Basic | | (40.73) | (96.54) |
| Diluted | | (40.73) | (96.54) |

Significant Accounting Policies

1

The Note numbers 2 to 48 form integral part of the Financial Statements

As per our separate report of even date attached herewith.

For V. D. Shukla & Co.,
Chartered Accountants
Firm Registration No. 110240W

Vimal D. Shukla
Proprietor
Membership No. 036416
Place : Ahmedabad
Date : 11th August, 2014

For and on behalf of the Board of Directors of Kiri Industries Limited

Pravin Kiri
Chairman

Manish Kiri
Managing Director

Suresh Gondalia
Company Secretary

Place : Ahmedabad
Date : 11th August, 2014

Cash Flow Statement for the Year Ended on 31st March, 2014

| | | (Rs. in Lacs) | |
|--|--------------------|-------------------|----------|
| PARTICULARS | 2013-2014 | 2012-2013 | |
| A. Cash Flow from Operating Activities : | | | |
| Net Profit before Tax and Extraordinary items | (4,886.32) | (7,285.44) | |
| Adjustment for | | | |
| - Depreciation | 3,349.64 | 3,197.90 | |
| - Interest & Dividend Income | (57.47) | (141.93) | |
| - Interest charged to P & L | 7,726.23 | 7,542.79 | |
| - Profit on Sale of Fixed Assets | - | (0.02) | |
| Operating Profit before working capital changes: | 6,132.08 | 3,313.30 | |
| Adjustment for : | | | |
| - Trade Receivables | (2,456.24) | (2,920.20) | |
| - Inventories | 5,828.31 | 940.29 | |
| - Long Term Advances & Other Non Current Assets | 1,103.21 | 1,524.59 | |
| - Short Term Advances & Other Current Assets | (1,760.33) | 1,664.63 | |
| - Trade Payables | (3,232.73) | (858.27) | |
| - Other Current Liabilities & Short Term Provisions | 10,087.17 | 3,123.68 | |
| - Deferred Tax Liability | (24.40) | (101.70) | 3,373.02 |
| Cash Generated from Operations | 15,677.07 | 6,686.32 | |
| - Taxes paid/ provision & Deferred tax | 24.40 | 101.70 | |
| Net Cash Flow from Operations | 15,701.47 | 6,788.02 | |
| B. Cash Flow from Investment Activities : | | | |
| - Purchase of Fixed Assets | (3,214.28) | (1,625.40) | |
| - Sale of Fixed Assets | - | 79.85 | |
| - Interest and Dividend Income | 57.47 | 141.93 | |
| - Investment | (312.60) | (28.81) | |
| Net cash flow from Investing Activities | (3,469.41) | (1,432.43) | |
| C. Cash Flow from Financing Activities : | | | |
| - Share Application Money | (1,300.00) | 1,300.00 | |
| - Proceeds from Long term Borrowings | 420.88 | 32,714.53 | |
| - Proceeds from Short term Borrowings | 718.41 | (2,861.33) | |
| - Interest charged | (7,726.23) | (7,542.79) | |
| Exceptional Items | (2,876.61) | (11,159.19) | |
| Repayment of Long Term Borrowings | (393.96) | (4,171.20) | |
| Repayment of Short Term Borrowings | (743.83) | (13,664.72) | |
| Net Cash Flow from Financing Activities | (11,901.34) | (5,384.70) | |
| Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C) | 330.72 | (29.11) | |
| Cash and Cash Equivalents as at (Opening) | 285.67 | 314.78 | |
| Cash and Cash Equivalents as at (Closing) | 616.39 | 285.67 | |

As per our separate report of even date attached herewith.

For V. D. Shukla & Co.,
Chartered Accountants
Firm Registration No. 110240W

Vimal D. Shukla
Proprietor
Membership No. 036416
Place : Ahmedabad
Date : 11th August, 2014

For and on behalf of the Board of Directors of Kiri Industries Limited

Pravin Kiri
Chairman

Manish Kiri
Managing Director

Suresh Gondalia
Company Secretary

Place : Ahmedabad
Date : 11th August, 2014

Notes to the Financial Statements

1) SIGNIFICANT ACCOUNTING POLICIES

1.1 Accounting Convention:

The financial statements are prepared under the historical cost convention on the "Accrual Concept" of accountancy in accordance with the accounting principles generally accepted in India and comply with the accounting standards issued by the Institute of Chartered Accountants of India to the extent applicable and with the relevant provisions of the Companies Act, 1956.

1.2 Use of Estimates:

The preparation of the Financial statements requires estimates and assumption to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognized in the period in which the results are known / materialized.

1.3 Accounting for Fixed Assets:

Fixed Assets are stated at cost of acquisition and subsequent improvements net of CENVAT credit and VAT but including freight and other incidental expenses related to acquisition, installation and foundation less accumulated depreciation. Direct expenses as well as pro rata identifiable indirect expenses on the projects during construction period are capitalized and apportioned on fixed assets on the date of commencement of commercial production.

1.4 Depreciation Accounting:

Depreciation has been provided on straight line method and at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956.

Depreciation is not recorded on capital work-in-progress until construction and installation are complete and asset is ready for its intended use. Capital work - in - progress includes capital advances.

1.5 Impairment of Assets:

An assets is treated as impaired when the carrying cost of assets exceeds its recoverable value and impairment loss is charged to statement of profit and loss in the period in which assets is identified as impaired. The impairment loss, if any recognized in prior accounting periods is reversed if there has been a changed in the estimate of recoverable amount.

1.6 Borrowing Cost:

Borrowing Costs that are attributable to the acquisition, construction or production of qualifying fixed assets are capitalized as part of the cost of such assets. All other borrowing costs are recognized as expenses in the period in which they are incurred.

1.7 Preliminary and Pre-operative Expenses

Preliminary and pre-operative expenses are written off in 10 equal installments.

1.8 Accounting for Investments:

Current investments are carried at the lower of cost and fair value computed category wise. Long term investments are stated at cost. Provision for diminution in the value of long term investments is made, only if, in the opinion of the management, such a decline is regarded as being other than temporary.

1.9 Valuation of Inventories:

The inventories are valued as under:

- Raw materials are valued at lower of cost excluding excise duty and other taxes or market value.
- Work in process is valued at lower of cost or market value. Material lying on shop floor and awaiting packing and sending in bonded warehouse have been treated as work-in-process.
- Semi finished goods are valued at lower of cost to the stage of completion or market value.
- Finished goods are valued at lower of cost or market value.
- Stock of packing materials is valued at lower of cost or market value.

Notes to the Financial Statements (Contd...)

1.10 Revenue Recognition:

Sales

Sales are recognised when goods are supplied and are recorded net of trade discounts, rebates and Value Added Tax.

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

Dividends

Revenue is recognised when the shareholders' / unit holders' right to receive payment is established by the balance sheet date. Dividend from subsidiaries is recognized even if same are declared after the balance sheet date but pertains to period on or before the date of balance sheet as per the requirement of Schedule VI of the Companies Act, 1956.

Export Incentives

Revenue is recognized on an accrual basis. The revenue is accounted on a going concern basis.

1.11 Accounting for effects of changes in foreign exchange rates:

Outstanding balances of foreign currency monetary items at the year end are restated at the exchange rate prevailing at the year end. The exchange rate difference arising there from has been recognised as income or expense in the current year's Statement of Profit and Loss.

Foreign currency translations of revenue nature are translated into Indian Rupees at the exchange rate prevailing on the date of financial transactions.

In case of forward contracts, the difference between the forward rate and the exchange rate, being as premium or discount, at the inception of a forward exchange contract is recognized as income or expense over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the reporting period in which the rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the period.

1.12 Accounting for Retirement Benefits :

- i) Contributions to Employees' Provident Fund remitted to statutory authority are charged to revenue.
- ii) Liability on leave encashment to employees is provided on mercantile basis.
- iii) The company has made an arrangement with Life Insurance Corporation of India / SBI Life Insurance Company Limited for covering gratuity liability covering past services as well.

1.13 Accounting for Taxes on Income :

Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax resulting from "timing difference" between taxable incomes and accounting income is accounted for, using the tax rates and tax laws that have been enacted or substantially enacted as on the Balance Sheet date.

1.14 Provisions, Contingent Liabilities and Contingent Assets :

Contingent Liabilities being a possible obligation as a result of past events the existence of which will be confirmed by the occurrence or non-occurrence of one or more future events not wholly in the control of the company. Contingent Liabilities are not recognized in the accounts. Further the nature of such liabilities, an estimate of its financial effect, etc. is disclosed as a part of Notes to Financial Statements.

1.15 Lease Rentals:

Operating lease is charged to statement of profit and loss on accrual basis.

Notes to the Financial Statements (Contd...)

2 SHARE CAPITAL (Rs. in Lacs)

| Particulars | As At 31.03.2014 | As At 31.03.2013 |
|--|---------------------|---------------------|
| Authorised Share Capital | | |
| 15,00,00,000 Equity Shares (Previous year 15,00,00,000) of Rs 10/-each | 15,000.00 | 15,000.00 |
| 5,00,00,000 Preference Shares (Previous year 5,00,00,000) of Rs 10/-each | 5,000.00 | 5,000.00 |
| | 20,000.00 | 20,000.00 |
| Issued, Subscribed & Paid-up Capital | | |
| 19,000,053 Equity Shares (Previous year 19,000,053) of Rs 10/- each fully paid up | 1,900.01 | 1,900.01 |
| Total | 1,900.01 | 1,900.01 |

The reconciliation of the number of shares outstanding as at 31.03.2014 and 31.03.2013 is set out below:

| Particulars | As At 31.03.2014 | As At 31.03.2013 |
|---|---------------------|---------------------|
| Number of shares at the beginning | 19,000,053 | 19,000,053 |
| Add: Equity Shares issued during the year | - | - |
| Number of shares at the end | 19,000,053 | 19,000,053 |

The details of shareholders holding more than 5% shares as at 31.03.2014 and 31.03.2013 are set out below :

| Name of the shareholders | No. of shares | % held as at 31.03.2014 | No. of shares | % held as at 31.03.2013 |
|---------------------------|------------------|-------------------------------|------------------|-------------------------------|
| Mr. Pravin Kiri | 2501680 | 13.17 | 3582416 | 18.85 |
| Mr. Manish Kiri | 1859391 | 9.79 | 1859391 | 9.79 |
| GMO Emerging Markets Fund | 1016942 | 5.35 | 790064 | 4.16 |

Notes to the Financial Statements (Contd...)

3 RESERVES AND SURPLUS (Rs. in Lacs)

| Particulars | As At 31.03.2014 | As At 31.03.2013 |
|---|---------------------|---------------------|
| - Debenture Redemption Reserve | | |
| Opening Balance | 800.00 | 800.00 |
| Add : Transfer from Statement of Profit & Loss | - | - |
| Closing Balance | 800.00 | 800.00 |
| - Security Premium | | |
| Opening Balance | 28,180.20 | 28,431.92 |
| Addition during the year | - | - |
| Less : Zero Coupen Convertible Bonds issue exps. | 215.95 | 251.72 |
| Closing Balance | 27,964.25 | 28,180.20 |
| - General Reserve | | |
| Opening Balance | 465.80 | 465.80 |
| Add : Transfer from Statement of Profit & Loss | - | - |
| Closing Balance | 465.80 | 465.80 |
| - Surplus | | |
| Opening Balance | (12,038.59) | 6,304.33 |
| Add : Net loss transferred from Statement of Profit and Loss | (7,738.53) | (18,342.92) |
| Amount available for appropriation | (19,777.12) | (12,038.59) |
| Closing Balance | (19,777.12) | (12,038.59) |
| Total | 9,452.93 | 17,407.41 |

Note : The Company has not created Debenture Redemption Reserve for the year under review, in view of the clarification issued by Department of Company Affairs vide General Circular No. 9/2002 No. 6/3/2001-CL.V dated 18-04-2002.

4 LONG TERM BORROWINGS (Rs. in Lacs)

| Particulars | As At 31.03.2014 | As At 31.03.2013 |
|--|---------------------|---------------------|
| Secured : | | |
| Non Convertible Debentures | 4,000.00 | 4,000.00 |
| Term Loans from Banks & Others | 43,973.87 | 42,700.45 |
| Hire Purchase Loans | 22.95 | 172.32 |
| Unsecured : | | |
| Zero Coupon Foreign Currency Convertible Bonds | 421.39 | 246.50 |
| Term Loans from Banks | 1,126.60 | 2,182.67 |
| Total | 49,544.81 | 49,301.94 |

Notes to the Financial Statements (Contd...)

The details of security of the long term borrowings are set out below :

| Sr. No. | Description of Assets/Security | Security given to |
|---------|---|--|
| 1 | All that piece or parcel of lease hold Plot No. 299/1/A, admeasuring about 3767 sq. mts., alongwith factory shed building, Plant and Machinery standing thereon of Vatwa Industrial Estate of Gujarat Industrial Development Corporation, situated upon land bearing Survey No. 416/p and 410/p of mouje: Vinzol, Taluka: Dascroi, Registration District Ahmedabad and Sub-District Ahmedabad-5 (Narol) | First pari passu charge for securing working capital facilities, Working Capital Term Loan and Funded Interest Term Loan from consortium banks and Term loan of State Bank of India, Punjab National Bank and Export Import Bank of India. |
| 2 | All that piece or parcel of lease hold Plot No. 299/1/B, admeasuring about 2050 sq. mts., alongwith factory shed building, Plant and Machinery standing thereon of Vatwa Industrial Estate of Gujarat Industrial Development Corporation, situated upon land bearing Survey No. 416/p and 410/p of mouje: Vinzol, Taluka: Dascroi, Registration District Ahmedabad and Sub-District Ahmedabad-5 (Narol) | First pari passu charge for securing working capital facilities, Working Capital Term Loan and Funded Interest Term Loan from consortium banks and Term loan of State Bank of India, Punjab National Bank and Export Import Bank of India. |
| 3 | All that piece or parcel of lease hold Plot No. 10/8, (Phase-I), admeasuring about 2539 Sq. Mtrs. alongwith Factory shed building, Plant and Machinery standing thereon of Vatwa Industrial Estate of Gujarat Industrial Development Corporation, situated upon land bearing Survey No. 418/p of mouje: Vinzol & Vatwa, Taluka: Dascroi, Registration District Ahmedabad and Sub-District Ahmedabad-5 (Narol) | First pari passu charge for securing working capital facilities, Working Capital Term Loan and Funded Interest Term Loan from consortium banks, and Term loan of State Bank of India, Punjab National Bank and Export Import Bank of India. |
| 4 | All that piece or parcel of non-agricultural land bearing amalgamated Block No. 396 (allotted in lieu of old Block Nos. 396, 399, 400/A, 400/B, 401, 402, 403 and 404/A) totally admeasuring about 45773 sq. mts. Alongwith factory shed building, plant and machinery at Mouje: Dudhavada, Taluka: Padra, Registration District Vadodara and Sub-District Padra. | First pari Passu Charge to IDBI Trusteeship Services Ltd for securing Non convertible debentures and to secure term loan of State Bank of India, Punjab National Bank and Export Import Bank of India and working capital facilities from consortium banks. |
| 5 | All that piece and parcel of non-agricultural land bearing Block No. 552/A, 566, 567, 569, 570 & 571 admeasuring about 31942 sq.mts., Alongwith factory shed building, plant and machinery at Mouje: Dudhwada, Taluka: Padra, Registration District: Vadodara and Sub-District: Padra | First pari Passu Charge to IDBI Trusteeship Services Ltd for securing Non convertible debentures and to secure term loan of State Bank of India, Punjab National Bank and Export Import Bank of India and working capital facilities from consortium banks. |
| 6 | All that piece or parcel of lease hold Plot Nos. 365 & 366, admeasuring about 1507.93 sq. mts., along with factory shed building standing thereon of Vatwa Industrial Estate of Gujarat Industrial Development Corporation, situated upon land bearing Survey 410/p of mouje: Vinzol, Taluka: Dascroi, Registration District Ahmedabad and Sub-District Ahmedabad-5 (Narol) | First pari passu charge for securing term loan of State Bank of India and Punjab National Bank. Second pari passu charge for securing working capital facilities, Working Capital Term Loan, Funded Interest Term Loan from consortium banks and Term loan of Export Import Bank of India. |
| 7 | All that piece and parcel of non agricultural land bearing Block No. 390/A, 390/B, 391/A, 391/B, 394/A/1, admeasuring about 22311 sq. mts., Alongwith factory shed building, plant and machinery situate lying and being at mouje: Dudhwada, Taluka: Padra, Registration District: Vadodara and Sub-District: Padra | First pari passu charge for securing term loan of State Bank of India and Punjab National Bank. Second pari passu charge for securing working capital facilities, Working Capital Term Loan, Funded Interest Term Loan from consortium banks and Term loan of Export Import Bank of India. |

| Sr. No. | Description of Assets/Security | Security given to |
|---------|--|---|
| 8 | All that piece and parcel of non agricultural land bearing Block No. 393, 394/A/2 394/B/1, 394/B/2, admeasuring about 16313 sq.mts., Alongwith factory shed building, plant and machinery, Power plant situate lying and being at mouje: Dudhwada, Taluka: Padra, Registration District: Vadodara and Sub-District: Padara | First Charge to Export Import Bank of India for securing their term loan. Second pari passu charge for securing term loan of State Bank of India and Punjab National Bank and working capital facilities, Working Capital Term Loan, Funded Interest Term Loan from consortium banks. |
| 9 | All that pieces and parcels of lands, comprised in and forming part of lands admeasuring 1,69,463 Sq. Mtrs., together with all buildings, structures, erections, etc. constructed and/or to be constructed thereon, both present and future, and being, lying and situated at Village: Kadodara, Tehsil: Wagra & Distt. Bharuch and uninstalled plant and machinery of Hydrogen Peroxide Plant of the Company. | First charge for securing corporate loan from IFCI Limited. |
| 10 | First charge on vehicles financed by the Kotak Mahindra Prime Limited | First Charge on vehicles financed by Kotak Mahindra Prime Ltd. |
| 11 | Pledge of 26,23,353 equity shares of Dystar Global Holdings (Singapore) Pte. Ltd. | Pldege of 13,11,677 equity shares to Consortium bankers and 13,11,676 to State Bank of India. |

Note: The Company has not created charge for securing new facilities provided to the Company on account of restrcuturing of debts on properties stated in Sr. No. 4 & 5 above, because of legal issues with IDBI Trusteeship Services Limited pending with Hon'ble Bombay High Court.

The details of Loans guaranteed by Directors are set out below :

(Rs. in Lacs)

| Particulars | Guaranteed by | Amount of Loan |
|---|---|----------------|
| Secured Loans | | |
| Non Convertible Debentures | Personal Guarantees of some of the directors | 4,000.00 |
| Term Loans from Indian Overseas Bank, ING Vyasya Bank Limited, State Bank of India, Export Import Bank of India and Punjab National Bank | Personal Guarantees of some of the directors | 17,422.30 |
| Working Capital Term Loans and Funded Interest Term Loans from State Bank of India, Bank of India, Oriental Bank of Commerce, Export Import Bank of India, Punjab National Bank, Standard Chartered Bank and Indian Bank. | Personal Guarantees of some of the directors | 36,215.22 |
| Corporate Loan from IFCI Ltd | Personal Guarantees of some of the directors and pledge of shares | 3,201.52 |

Notes to the Financial Statements (Contd...)

The details of the terms of repayment of Non Convertible Debentures are set out below: (Rs. in Lacs)

| Nature of Loans | Amount | Terms of Loans |
|----------------------------|----------|---|
| Non Convertible Debentures | 4,000.00 | <p>Series A (Rs. 2,500 lacs): Repayment in 16 quarterly installments with 2% Redemption premium starting from end of 5th quarter from the date of allotment i.e. 12.08.2011. At the end of 5th to 8th quarter - 2.5% of principal, 9th to 12th quarter - 5% of principal, 13th to 16th quarter - 7.5% of principal, 17th to 20th quarter - 10% of principal. Rate of Interest - 10.75%</p> <p>Series B (Rs. 1,500 lacs): Repayment in 16 quarterly installments with 2% Redemption premium starting from end of 5th quarter from the date of allotment i.e. 07.10.2011. At the end of 5th to 8th quarter - 2.5% of principal, 9th to 12th quarter - 5% of principal, 13th to 16th quarter - 7.5% of principal, 17th to 20th quarter - 10% of principal. Rate of Interest - 10.75%</p> |

Note : There are counter claims of the company against NCD holder and hence the company has not paid interest and installments during the period.

The details of the terms of repayment of Term Loans & other loans are set out below:

The consortium members banks have realigned the debt of the company. Where in installments for various term loans have been structured with back ended balloning and hence the amount of installment varies from Rs. 1.20 cr. for WCTL - I in year 1 to Rs. 2.01 cr. in year 10, for WCTL - II the installment Rs. 40.01 cr. in year 1 and Rs.35.00 cr in year 2, WCTL - III of Rs. 10.66 cr. is payable in year 1, for WCTL - IV the installment Rs. 1.11 cr. in year 1 to Rs.49.05 cr.in year 10, for FITL the installment Rs. 0.51 cr in year 1 to Rs. 0.52 cr. in year 10, for Term Loan I the installment Rs. 1.56 cr. in year 1 to Rs. 9.23 cr. in year 10, Term Loan II of Rs. 13.33 cr. is payable within year 1.

The details of continuing default as on the Balance Sheet date in repayment of loans and interest are set out below: (Rs. in Lacs)

| Particulars | Nature of Default | Period of continuing default | Amount of continuing default |
|---------------------------|-------------------|------------------------------|------------------------------|
| State Bank of India | Interest | Since April, 2013 | 2,361.12 |
| | Principal | Since June, 2013 | 2,274.00 |
| Punjab National Bank | Interest | Since April, 2013 | 1,396.79 |
| | Principal | Since June, 2013 | 233.00 |
| Indian Bank | Interest | Since April, 2013 | 462.95 |
| | Principal | Since June, 2013 | 572.00 |
| Bank of India | Interest | Since Januray, 2014 | 68.86 |
| | Principal | Since June, 2013 | 233.00 |
| Oriental Bank of Commerce | Interest | Since July, 2013 | 207.31 |
| | Principal | Since June, 2013 | 182.00 |
| EXIM Bank | Interest | Since January, 2014 | 272.17 |
| | Principal | Since March, 2014 | 722.30 |
| Indian Overseas Bank | Principal | Since January, 2012 | 524.88 |
| ING Vysya Bank | Interest | Since September, 2012 | 423.32 |
| | Principal | Since September, 2013 | 540.25 |

Though the borrowings on account of Non Convertible Debentures and borrowings from IFCI Ltd. have been recalled, the same have been classified as long term borrowings in view of the original terms of agreements and legal disputes pending with various authorities. There are counter claims of the company against IFCI Limited and hence the company has not paid interest and installments during the period.

Notes to the Financial Statements (Contd...)

5 DEFERRED TAX

The Company estimates deferred tax assets and liabilities using the applicable rate of taxation based on the impact of timing difference between financial statements and estimated taxable income for the current year. The net deferred tax assets /liabilities as at March 31, 2014 is given as below:

(Rs. in Lacs)

| Particulars | As At 31.03.2014 | | As At 31.03.2013 | |
|--|------------------------|-----------------------------|------------------------|-----------------------------|
| | Deferred Tax Assets | Deferred Tax Liabilities | Deferred Tax Assets | Deferred Tax Liabilities |
| Opening Balance of Deferred Tax Liabilities (Net) | - | 2,129.48 | - | 2,231.18 |
| Add : Addition during the year | - | (24.40) | - | (101.70) |
| Total | - | 2,105.08 | - | 2,129.48 |

6 SHORT-TERM BORROWINGS

(Rs. in Lacs)

| Particulars | As At 31.03.2014 | As At 31.03.2013 |
|----------------------------------|---------------------|---------------------|
| Secured : | | |
| Working Capital Loan from Banks | 12,181.74 | 13,682.46 |
| Unsecured : | | |
| Working Capital Facility | 963.13 | 965.90 |
| Loans from Directors / Promoters | 1,669.89 | 122.81 |
| Intercompany Deposits | 473.19 | 542.00 |
| Total | 15,287.75 | 15,313.17 |

Note : The company has not provided for interest on Intercompany deposits in view of litigation pending against them before statutory authorities.

The details of security of the short term borrowings are set out below :

(Rs. in Lacs)

| Nature of Loans | Amount | Secured by |
|---|-----------|---|
| Secured Loans : | | |
| Working Capital Loan repayable on demand from State Bank of India, Bank of India, Indian Bank, Punjab National Bank, Oriental Bank of Commerce, EXIM Bank, Standard Chartered Bank collectively known as Consortium bankers | 12,181.74 | Hypothecation of Stock, Book debt, Movable Plant and machinery and Personal Guarantees of some of the Directors |

The details of Loans guaranteed by Directors or others are set out below :

(Rs. in Lacs)

| Particulars | Guaranteed by | Amount of Loan |
|---|--|----------------|
| Unsecured Loans : | | |
| Working Capital Facility from India Factoring and Finance Solutions Pvt. Ltd. & IFCI Factors Ltd. | Personal Guarantee of some of the Directors | 963.13 |
| Inter Corporate Deposits | Personal Guarantee of some of the Directors & pledge of shares | 473.19 |

7 TRADE PAYABLES

(Rs. in Lacs)

| Particulars | As At 31.03.2014 | As At 31.03.2013 |
|----------------|---------------------|---------------------|
| | | |
| Trade payables | 5,637.52 | 8,870.24 |
| Total | 5,637.52 | 8,870.24 |

Notes to the Financial Statements (Contd...)

8 OTHER CURRENT LIABILITIES

(Rs. in Lacs)

| Particulars | As At 31.03.2014 | As At 31.03.2013 |
|---|---------------------|---------------------|
| Current Maturity of Long-term secured debt | 10,428.00 | 6,645.20 |
| Current Maturity of Long-term unsecured debt | 1,605.38 | 530.48 |
| Credit Balances in Bank Accounts | - | 38.80 |
| Interest accrued but not due on Unsecured Loans | - | 142.39 |
| Interest accrued and due on borrowings | 6,616.42 | 455.30 |
| Advance received from Customers | 73.32 | 116.83 |
| Statutory Dues | 82.76 | 183.19 |
| Unpaid / Unclaimed Dividend | 1.13 | 1.13 |
| Employee Benefit Payables | 158.40 | 167.21 |
| Other Liabilities | 1,489.67 | 2,081.56 |
| Total | 20,455.08 | 10,362.09 |

9 SHORT-TERM PROVISIONS

(Rs. in Lacs)

| Particulars | As At 31.03.2014 | As At 31.03.2013 |
|--|---------------------|---------------------|
| Provision for Employee Benefit - current | 91.90 | 97.72 |
| Provision for Tax on Dividend | 46.23 | 46.23 |
| Total | 138.13 | 143.95 |

10 FIXED ASSETS

(Rs. in Lacs)

| Assets | Opening Balance As on 01.04.2013 | Addition during the year | Adjusted sold during the year | Gross Block As on 31.03.2014 | Depreciation Up to 31.03.2013 | Depreciation provided during the year | Adjusted during the year | Total Dep. Up to 31.03.2014 | Net Block As on 31.03.2014 | Net Block As on 31.03.2013 |
|--------------------------|---|--------------------------------|--|---------------------------------------|-------------------------------------|--|--------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| TANGIBLE ASSETS | | | | | | | | | | |
| Land | 1,202.34 | - | - | 1,202.34 | - | - | - | - | 1,202.34 | 1,202.34 |
| Building | 6,283.21 | 321.70 | - | 6,604.91 | 750.88 | 212.14 | - | 963.02 | 5,641.89 | 5,532.33 |
| Plant & Machinery | 27,624.26 | 2,650.54 | - | 30,274.80 | 8,927.85 | 2,992.58 | - | 11,920.43 | 18,354.37 | 18,696.41 |
| Electrification | 827.95 | 208.06 | - | 1,036.01 | 252.51 | 91.63 | - | 344.14 | 691.87 | 575.44 |
| Office Equipments | 95.18 | 4.86 | - | 100.04 | 20.12 | 4.15 | - | 24.27 | 75.77 | 75.06 |
| Furniture & Fixture | 131.05 | 2.37 | - | 133.42 | 36.94 | 8.21 | - | 45.15 | 88.27 | 94.11 |
| Vehicles | 467.66 | 4.03 | - | 471.69 | 165.30 | 40.91 | - | 206.21 | 265.48 | 302.37 |
| Capital Work In Progress | 10,884.82 | 22.72 | - | 10,907.54 | - | - | - | - | 10,907.54 | 10,884.82 |
| TOTAL | 47,516.47 | 3,214.28 | - | 50,730.75 | 10,153.60 | 3,349.62 | - | 13,503.22 | 37,227.53 | 37,362.88 |
| PREVIOUS YEAR | 46,026.18 | 1,625.40 | 135.10 | 47,516.48 | 7,010.96 | 3,197.90 | 55.26 | 10,153.60 | 37,362.88 | 39,015.22 |

Note : Land includes agricultural land intended for industrial purpose, held in the name of the chairman of the Company in his fiduciary capacity as per Section 88 of the Indian Trust Act, 1882, pending necessary approval for conversion of agriculture land into non agriculture land.

Notes to the Financial Statements (Contd...)

| 11 NON CURRENT INVESTMENTS | | (Rs. in Lacs) |
|--|---------------------|---------------------|
| Particulars | As At 31.03.2014 | As At 31.03.2013 |
| Unquoted | | |
| Investments in Mutual Funds | | |
| • 100,000 Units (P.Y.100,000) SBI Infrastructure Fund (NAV of the units held Rs. 7.61 lacs (P.Y.7.81 lacs) | 10.00 | 10.00 |
| Investment in Subsidiary | | |
| • 1 Equity Share (P.Y. 1) of US \$ 1 each in Kiri International (Mauritius) Private Ltd. | 0.00 | 0.00 |
| • 10,00,000 Equity Shares (P.Y. 10,00,000) of HK \$ 1 each in Synthesis International Ltd. | 57.56 | 57.56 |
| • Nil Equity Shares (P.Y. 49,994) of INR 10 each in Kiri Peroxide Limited | 0.00 | 5.00 |
| • 13,411 Equity Share (P.Y. 13,411) of SG \$ 1 each in Kiri Investment & Trading Singapore Pvt. Ltd. | 5.00 | 5.00 |
| • 9,70,000 Equity Shares (P.Y. 9,70,000) of NTD 10 each in SMS Chemical Co Ltd Fully Paid Up | 339.53 | 339.53 |
| • 200 Equity Shares (P.Y. 200) of AED 1000 each in Chemhub Trading DMCC | 28.81 | 28.81 |
| Investment in Associate Company | | |
| • 26,23,354 Equity Shares (P.Y. 26,23,353) of SG \$ 10 each in DyStar Global Holdings (Singapore) Pte. Ltd. | 9,550.24 | 9,550.24 |
| • 26,25,000 Equity Shares (P.Y. 26,25,000) of Rs 10 each fully paid up in Kiri Infrastructure Private Limited | 1,443.75 | 1,443.75 |
| Investment in Joint Venture Company | | |
| • 3,00,00,000 Equity Shares (P.Y.3,00,00,000) of Rs.10 each fully paid up in Lonsen Kiri Chemical Industries Limited. | 3,000.00 | 3,000.00 |
| • 2,53,66,000 5% Non Cumulative Redeemable Preference Shares (P.Y. 2,22,00,000) of Rs 10 each fully paid up in Lonsen Kiri Chemical Industries Limited | 2,536.60 | 2,220.00 |
| Investments in Equity Instruments | | |
| • 20,000 Equity Shares (P.Y. 20,000) of Rs. 25 each in Kalupur Commercial Co-Operative Bank Limited. | 5.00 | 5.00 |
| • 10,000 Equity Shares (P.Y. Nil) of Rs. 10 each in Kapsil Aqua Enviro Limited | 1.00 | 0.00 |
| Total Non-current Investment | 16,977.49 | 16,664.89 |
| 12 LONG-TERM LOANS AND ADVANCES | | (Rs. in Lacs) |
| Particulars | As At 31.03.2014 | As At 31.03.2013 |
| Capital Advances | | |
| Unsecured, considered good | 982.39 | 1,955.18 |
| Doubtful | - | - |
| | 982.39 | 1,955.18 |
| Less : Allowance for Bad & Doubtful | - | - |
| | 982.39 | 1,955.18 |
| Security Deposits | | |
| Unsecured, considered good | 322.58 | 310.96 |
| Doubtful | - | - |
| | 322.58 | 310.96 |
| Less : Allowance for Bad & Doubtful | - | - |
| | 322.58 | 310.96 |
| Other Loans & Advances | | |
| Loans & Advance to Employees | 58.12 | 34.68 |
| Other Loans & Advances | 779.65 | 865.83 |
| | 837.77 | 900.51 |
| Less : Allowance for Bad & Doubtful | - | - |
| | 837.77 | 900.51 |
| Total | 2,142.74 | 3,166.65 |

Notes to the Financial Statements (Contd...)

13 OTHER NON-CURRENT ASSETS (Rs. in Lacs)

| Particulars | As At 31.03.2014 | As At 31.03.2013 |
|----------------------|---------------------|---------------------|
| Deposits with Banks | 64.45 | 143.51 |
| Unamortised Expenses | 0.68 | 0.91 |
| Total | 65.13 | 144.42 |

14 INVENTORIES (Rs. in Lacs)

| Particulars | As At 31.03.2014 | As At 31.03.2013 |
|--|---------------------|---------------------|
| Raw Material | 2,458.99 | 996.11 |
| Finished Goods | 2,028.49 | 1,227.88 |
| Stock in Process & Semi Finished Goods | 4,260.54 | 12,373.95 |
| Packing Material | 350.73 | 329.12 |
| Total | 9,098.75 | 14,927.06 |

15 TRADE RECEIVABLES (Rs. in Lacs)

| Particulars | As At 31.03.2014 | As At 31.03.2013 |
|---|---------------------|---------------------|
| Debt outstanding for a period exceeding six months | | |
| Unsecured considered good | 19,787.38 | 14,814.74 |
| Doubtful | 1,349.12 | 1,547.31 |
| | 21,136.50 | 16,362.05 |
| Less : Allowance for Bad & Doubtful | - | - |
| | 21,136.50 | 16,362.05 |
| Other debts | | |
| Unsecured considered good | 10,830.10 | 13,148.32 |
| Doubtful | - | - |
| | 10,830.10 | 13,148.32 |
| Less : Allowance for Bad & Doubtful | - | - |
| | 10,830.10 | 13,148.32 |
| Total | 31,966.60 | 29,510.37 |

Note : The Management has considered some of the debts as doubtful but not bad and therefore, no provision has been made in accounts.

Notes to the Financial Statements (Contd...)

16 CASH AND CASH EQUIVALENTS

(Rs. in Lacs)

| Particulars | As At 31.03.2014 | As At 31.03.2013 |
|--|---------------------|---------------------|
| Cash on Hand | 38.54 | 4.03 |
| Balances with Scheduled Banks | | |
| In Current Account | 576.79 | 280.52 |
| Balances with Non-Scheduled Banks | | |
| In Current Account | - | 0.06 |
| Others | | |
| Balances in Unpaid Dividend Accounts | 1.06 | 1.06 |
| Total | 616.39 | 285.67 |

17 SHORT-TERM LOANS AND ADVANCES

(Rs. in Lacs)

| Particulars | As At 31.03.2014 | As At 31.03.2013 |
|---|---------------------|---------------------|
| Others | | |
| Unsecured, considered good | | |
| Advance Tax & Tax Deducted at Source (Net of Provision Rs. 1572.11 lacs Less : - Rs. 197.62 lacs) | 1,374.49 | 1,311.23 |
| MAT Credit Entitlement | 405.85 | 405.85 |
| Balance with Government Authorities | 3,828.93 | 2,577.01 |
| Advances to Suppliers | 704.46 | 252.70 |
| Prepaid expenses | 30.05 | 29.08 |
| Other Loans & Advances | 8.19 | 9.76 |
| Doubtful | - | - |
| | 6,351.97 | 4,585.63 |
| Less : Allowance for Bad & Doubtful | - | - |
| | 6,351.97 | 4,585.63 |
| Total | 6,351.97 | 4,585.63 |

18 OTHER CURRENT ASSETS

(Rs. in Lacs)

| Particulars | As At 31.03.2014 | As At 31.03.2013 |
|------------------------------|---------------------|---------------------|
| Interest Accrued on Deposits | 74.70 | 80.72 |
| Total | 74.70 | 80.72 |

Notes to the Financial Statements (Contd...)

19 REVENUE FROM OPERATIONS (Rs. in Lacs)

| Particulars | 2013-2014 | 2012-2013 |
|-------------------------|------------------|------------------|
| Sale of Products | 57,167.48 | 50,452.46 |
| Other Operating Revenue | 1,127.02 | 2,009.06 |
| Total | 58,294.50 | 52,461.52 |

20 OTHER INCOME (Rs. in Lacs)

| Particulars | 2013-2014 | 2012-2013 |
|----------------------------------|--------------|---------------|
| Interest Income | | |
| - FDs with Banks & ICDs | 10.13 | 29.26 |
| - Others | 46.59 | 111.92 |
| | 56.72 | 141.18 |
| Dividend Income | 0.75 | 0.75 |
| Net gain on sale of Fixed Assets | - | 0.02 |
| Total | 57.47 | 141.95 |

21 COST OF MATERIALS CONSUMED (Rs. in Lacs)

| Particulars | 2013-2014 | 2012-2013 |
|--|------------------|------------------|
| Raw Material Consumed : | | |
| Opening Inventory | 996.11 | 1,263.18 |
| Add : Net Purchases | 36,063.35 | 41,003.57 |
| Less: Inventory at the end of the year | 2,458.99 | 996.11 |
| Cost of Raw Material consumed during the year | 34,600.47 | 41,270.64 |
| Packing Material Consumed : | | |
| Opening Inventory | 329.12 | 254.37 |
| Add : Net Purchases | 736.55 | 335.23 |
| Less: Inventory at the end of the year | 350.73 | 329.12 |
| Cost of Packing Material consumed during the year | 714.94 | 260.48 |
| Total | 35,315.41 | 41,531.12 |

22 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS & STOCK-IN TRADE (Rs. in Lacs)

| Particulars | 2013-2014 | 2012-2013 |
|---|-----------------|---------------|
| (Increase)/decrease in Stocks | | |
| Stock at the beginning of the year : | | |
| Finished Goods | 1,227.88 | 1,315.08 |
| Work in Progress & Semi Finished Goods | 12,373.95 | 13,034.72 |
| | 13,601.83 | 14,349.80 |
| Stock at the end of the year : | | |
| Finished Goods | 2,028.49 | 1,227.88 |
| Work in Progress & Semi Finished Goods | 4,260.54 | 12,373.95 |
| | 6,289.03 | 13,601.83 |
| Total | 7,312.80 | 747.97 |

Notes to the Financial Statements (Contd...)

23 EMPLOYEE BENEFITS EXPENSE (Rs. in Lacs)

| Particulars | 2013-2014 | 2012-2013 |
|--|-----------------|-----------------|
| Salaries, Wages & Bonus | 1,832.86 | 1,418.17 |
| Contribution to Provident fund & other funds | 61.41 | 74.31 |
| Welfare Expenses | 105.50 | 78.81 |
| Total | 1,999.77 | 1,571.29 |

24 FINANCE COST (Rs. in Lacs)

| Particulars | 2013-2014 | 2012-2013 |
|------------------------------|-----------------|-----------------|
| Interest & Financial Charges | | |
| - Interest Cost | 7,633.86 | 7,208.16 |
| - Financial Charges | 92.37 | 334.63 |
| Total | 7,726.23 | 7,542.79 |

25 ADMINISTRATIVE EXPENSES (Rs. in Lacs)

| Particulars | 2013-2014 | 2012-2013 |
|--------------------------------|---------------|---------------|
| Insurance Premium | 47.22 | 48.10 |
| Communication Expenses | 31.98 | 29.81 |
| Postage & Conveyance | 21.98 | 12.32 |
| Travelling & Conveyance | 80.04 | 60.11 |
| Repairs & Maintenance - Others | 10.98 | 4.21 |
| Membership & Subscription | 0.46 | 1.06 |
| Security Expenses | 52.90 | 43.11 |
| Legal & Professional Fees | 421.60 | 286.63 |
| Payment to Auditors | 10.00 | 10.00 |
| Rates & Taxes | 27.21 | 16.08 |
| Donation | 5.30 | 0.27 |
| Miscellaneous Expenses | 6.74 | 3.95 |
| Preliminary Expenses | 0.23 | 0.23 |
| Total | 716.64 | 515.88 |

Notes to the Financial Statements (Contd...)

26 MANUFACTURING EXPENSES

(Rs. in Lacs)

| Particulars | 2013-2014 | 2012-2013 |
|------------------------------|-----------------|-----------------|
| Operational & Other Expenses | | |
| - Power & Fuel | 4,117.37 | 2,896.24 |
| Pollution Treatment Expenses | 110.98 | 124.48 |
| Repairs & Maintenance | | |
| - Buildings | 26.73 | 3.44 |
| - Machineries | 814.89 | 197.32 |
| - Other Assets | 125.21 | 38.35 |
| | 966.83 | 239.11 |
| Laboratory Expenses | 13.40 | 12.49 |
| Factory Expenses | 45.35 | 16.70 |
| Rent Expenses | - | 30.70 |
| Total | 5,253.93 | 3,319.72 |

27 SELLING & DISTRIBUTION EXPENSES

(Rs. in Lacs)

| Particulars | 2013-2014 | 2012-2013 |
|--|---------------|---------------|
| Warehouse Charges | 0.25 | 0.63 |
| Export Expenses | 68.33 | 33.47 |
| Outward Freight & Transportation Charges | 574.45 | 359.23 |
| Travelling Expenses | 51.87 | 30.88 |
| Advertisement & Sales Promotion Expenses | 118.68 | 209.24 |
| Total | 813.58 | 633.45 |

28 PRIOR PERIOD ADJUSTMENTS

(Rs. in Lacs)

| Particulars | 2013-2014 | 2012-2013 |
|-----------------------|--------------|--------------|
| Prior Period Expenses | 22.54 | 20.57 |
| Total | 22.54 | 20.57 |

29 The Debit and Credit balances of debtors, creditors, loans and advances are subject to confirmation and reconciliation, if any and they are stated in the Balance Sheet if realized in the ordinary course of business. The provision for all known liabilities is adequate and not in excess of the amount reasonably necessary.

30 Extra ordinary items include derivative losses of Rs.2,563.10 lacs (P.Y. 8,118.26 lacs).

Notes to the Financial Statements (Contd...)

31 Contingent Liabilities (Rs. In Lacs)

| Particulars | 2013-2014 | 2012-2013 |
|---|-----------|-----------|
| Outstanding Letter of Credits issued by Banks | - | 555.88 |
| Guarantees given by Banks on behalf of the Company for various purposes. | 188.29 | 168.06 |
| Corporate Guarantees given by the Company on behalf of the Joint Venture Company. | 8,900.00 | 8,900.00 |
| Disputed Income Tax / Excise matters for various assessment years for which appeals are pending with Appellate authorities. | 1,798.13 | 1,930.18 |

- In addition to the above, various lenders have filed suits or have obtained orders from various legal authorities for which the company has filed appeals / counter litigations. At this stage it is not possible to quantify the liability and being contingent in nature, no provision has been made in accounts.

32 Directors' Remuneration (Rs. In Lacs)

| Particulars | 2013-2014 | 2012-2013 |
|------------------------|-----------|-----------|
| Mr. Pravin A. Kiri | 12.00 | 12.00 |
| Mr. Manish P. Kiri | 12.00 | 12.00 |
| Mr. Shanker Patel | - | 10.00 |
| Directors Sitting Fees | 1.18 | 1.85 |

33 Remuneration to Auditors (Rs. In Lacs)

| Particulars | 2013-2014 | 2012-2013 |
|---------------------------------|-----------|-----------|
| Audit Fees | 6.00 | 6.00 |
| Taxation Matters | 2.50 | 2.50 |
| Certification and other Matters | 1.50 | 1.50 |

34 C.I.F. Value of imported goods (Rs. In Lacs)

| Particulars | 2013-2014 | 2012-2013 |
|--------------|-----------|-----------|
| Raw Material | 1,971.60 | 1,216.64 |

35 Earnings in Foreign Currency (Rs. In Lacs)

| Particulars | 2013-2014 | 2012-2013 |
|-------------------------|-----------|-----------|
| F.O.B. Value of Exports | 17,679.50 | 5,304.93 |

36 Expenditure in Foreign Currency (Rs. In Lacs)

| Particulars | 2013-2014 | 2012-2013 |
|---|-----------|-----------|
| Foreign Travel Expense | 15.59 | 11.73 |
| Export sales Commission | 33.89 | 6.25 |
| Professional & Legal Charges | 50.31 | 6.20 |
| Zero Coupon Convertible Bond issue expenses | 176.35 | 251.72 |

Notes to the Financial Statements (Contd...)

37 In view of the exemption granted vide notification number S.O. 301(E) dated 8th February, 2011 issued by the Ministry of Corporate Affairs, Government of India, the information required vide para 3(i)(a), 3(ii)(a), 3(ii)(b), 3(ii)(d) of part II of Schedule VI of the Companies Act, 1956 has not been given.

38 Disclosure as per Clause 32 of the Listing Agreements with the Stock Exchanges:

(a) Loans and advances in the nature of Loans given to subsidiaries and associates in which Directors are interested

(Rs. In lacs)

| Name of the Company | Relationship | During the period | As at 31 st March, 2014 | Maximum Balance outstanding during the period |
|------------------------------|--------------|-------------------|---------------------------------------|---|
| Kiri Infrastructure Pvt Ltd. | Associates | 4.82 | 349.32 | 455.64 |

39 Lease: (Rs. In lacs)

| Particulars | As at March 31, 2014 | As at March 31, 2013 |
|--|-------------------------|-------------------------|
| Operating Lease | | |
| i. Expenses under cancellable operating lease and rental contracts during the year | - | - |
| ii. Expenses under non-cancellable operating lease and a rental contract during the year | - | 27.00 |
| iii. Maximum financial obligation from long term non-cancellable operating lease and rental contracts as per the respective agreement as follows : | | |
| Not later than one year | - | - |
| Later than one year not later than five years | - | - |

40 Details of loan taken from companies under the same management: (Rs. In lacs)

| Name of the Company | 2013-2014 | | 2012-13 | |
|-------------------------------|---|--------------------------------------|---|--------------------------------------|
| | Balance as at 31 st March, 2014 | Maximum balance during the period | Balance as at 31 st March, 2013 | Maximum balance during the period |
| Kiri Infrastructure Pvt. Ltd. | 349.32 | 455.64 | 455.64 | 456.46 |

41 Calculation of Earning Per Share

| Particulars | | 2013-14 | 2012-13 |
|--|------------|-------------|-------------|
| Profit / (Loss) attributable to equity shareholders | Rs in Lacs | (7,738.53) | (18,342.92) |
| Nominal Value of equity share | Rs. | 10 | 10 |
| Weighted average number of equity shares - for Basic EPS | Nos. | 1,90,00,053 | 1,90,00,053 |
| Basic EPS | Rs. | (40.73) | (96.54) |
| Diluted EPS | Rs. | (40.73) | (96.54) |

42 Zero Coupon Foreign Currency Convertible Bonds

On January 16, 2013, the Company has made an issue of zero coupon convertible bonds aggregating to US\$ 15 Million (approximately Rs. 82.17 crores) comprising of 10 (aggregating to US\$ 10,00,000) zero coupon convertible bonds due 2018 ('Series A FCCBs'), 10 (aggregating to US\$ 10,00,000) zero coupon convertible bonds due 2018 ('Series B FCCBs'), 25 (aggregating to US\$ 25,00,000) zero coupon convertible bonds due 2018 ('Series C FCCBs'), 35 (aggregating to US\$ 35,00,000) zero coupon convertible bonds due 2018 ('Series D FCCBs'), 35 (aggregating to US\$ 35,00,000) zero coupon convertible bonds due 2018 ('Series E FCCBs'), 35 (aggregating to US\$ 35,00,000) zero coupon convertible bonds due 2018 ('Series F FCCBs').

Notes to the Financial Statements (Contd...)

- Each fully paid up series A, B, C, D, E and F, (unless previously redeemed or purchased and cancelled) will be converted by the Bondholder at any time on or after February 16, 2013 but prior to close of business on January 18, 2018. Each bond will be converted into fully paid up equity shares of Rs. 10 each at a premium of Rs. 1.92 per share, at a price of Rs. 11.92 per share at a fixed exchange rate conversion of Rs. 54.7773 per US Dollar.
- Three percent (3%) of the offer price payable on each of the Series A,B, C, D, E and F FCCBs is paid by the holder of bonds on January 16, 2013. The remaining ninety seven percent (97%) of the payment of the offer price payable on each of the Series A,B, C, D, E and F FCCBs shall be payable on the earlier of the Conversion Date or the due date specified in the table below :

| Series | Exact due date | Amount due per Bond (US\$) | No. of bonds failing due | Total Amount dyes (US\$) |
|----------------|--------------------|----------------------------|--------------------------|--------------------------|
| Series A FCCBs | September 30, 2013 | 97000 | 10 | 970000 |
| Series B FCCBs | September 30, 2014 | 97000 | 10 | 970000 |
| Series C FCCBs | March 30, 2015 | 97000 | 25 | 2425000 |
| Series D FCCBs | September 30, 2015 | 97000 | 35 | 3395000 |
| Series E FCCBs | September 30, 2016 | 97000 | 35 | 3395000 |
| Series F FCCBs | September 30, 2017 | 97000 | 35 | 3395000 |

- Where there is a default by any Series A, B, C, D, E and F FCCB Bondholder, in paying the balance of the issue amount due in respect of such Bonds, the Company has right to convert each partly paid bonds to the extent amount paid up on the relevant Series A, B, C, D, E and F FCCBs i.e, three percent (3%), and the balance ninety seven percent (97%) shall stand cancelled and each respective Series A, B, C, D, E and F FCCB (on which default has been committed) shall each be convertible to fully paid-up Equity Shares of face value of Rs.10 each at a premium of Rs. 1.92 per Equity Share, at a price of Rs.11.92 per share.
- Ninety Seven percent (97%) of the three bonds from Series A paid on November 8, 2013. Remaining seven bonds of the Series A stand cancelled due to default of the payment from the subscriber of the bonds.
- As per the terms, the company was required to allot equity shares on cancellation of bonds due to default of the payment from the subscriber of the bonds. The company has yet to allot shares for such default of bonds.
- The expenses incurred on issue of zero coupon convertibles have been set off against securities premium account.

43 Related Party Disclosure –

A) Related Party and their Relationship

| Name of the Party | Relationship |
|---|--------------------------------------|
| Kiri International (Mauritius) Private Limited | Wholly Owned Subsidiary |
| Synthesis International Limited | Wholly Owned Subsidiary |
| SMS Chemicals Co. Limited | Wholly Owned Subsidiary |
| Chemhub Trading DMCC | Wholly Owned Subsidiary |
| Kiri Investment and Trading Singapore Private Limited | Wholly Owned Subsidiary |
| Lonsen Kiri Chemical Industries Ltd. | Joint Venture |
| Dystar Global Holdings (Singapore) Pte. Ltd | Associate Company |
| Kiri Infrastructure Pvt. Ltd. | Associate Company |
| Mr. Pravin A Kiri | Key Managerial Personnel |
| Mr. Manish P Kiri | Key Managerial Personnel |
| Mrs. Arunaben P Kiri | Relative of Key Managerial Personnel |
| Mrs. Anupama M. Kiri | Relative of Key Managerial Personnel |
| Pravin A. Kiri – HUF | HUF of Key Managerial Personnel |

Notes to the Financial Statements (Contd...)

B) Transaction with Related Parties

(Figures in *Italics* represent figures as at 31st March, 2013)

(Rs. In Lacs)

| Particulars | Subsidiaries & Step Down Subsidiaries | Joint Ventures | Associate Companies | Key Management Personnel & their Relatives | Entity Controlled by Key Management Personnel | Total |
|-------------------------------------|---|-----------------------------|-------------------------|---|--|-----------------------------|
| Purchase of Goods | - | 281.89 | - | - | - | 281.89 |
| | - | <i>99.78</i> | - | | - | <i>99.78</i> |
| Sales of Goods / Job Work Income | 49.59 <i>627.78</i> | 6,804.43 <i>1,193.63</i> | - - | - - | - | 6,854.02 <i>1,821.41</i> |
| Remuneration | - | - | - | 24.00 | - | 24.00 |
| | - | - | - | <i>34.00</i> | - | <i>34.00</i> |
| Investment | - | 316.60 | - | - | - | 316.60 |
| | <i>28.81</i> | - | - | - | - | <i>28.81</i> |
| Advance given | 11.22 | - | 4.82 | - | - | 16.04 |
| | - | - | <i>9.18</i> | - | - | <i>9.18</i> |
| Advance repaid | - | - | 111.14 | - | - | 111.14 |
| | - | - | <i>10.00</i> | - | - | <i>10.00</i> |
| Loan repaid | - | - | - | 132.57 | - | 132.57 |
| | - | - | - | <i>1,450.46</i> | - | <i>1,450.46</i> |
| Loan taken | - | - | - | 1,679.44 | - | 1,679.44 |
| | - | - | - | <i>1,546.95</i> | - | <i>1,546.95</i> |
| Guarantees given | - | 8,900.00 | - | - | - | 8,900.00 |
| | - | <i>8,900.00</i> | - | - | - | <i>8,900.00</i> |
| Share Application Money given | 8.76 <i>212.72</i> | - - | - - | - - | - | 8.76 <i>212.72</i> |
| Share Application Money received | - <i>260.00</i> | - - | - - | - <i>1,040.00</i> | - | - <i>1,300.00</i> |
| Share Application Money repaid | - | - | - | 1,040.00 | 260.00 | 1,300.00 |
| | - | - | - | - | - | - |
| Outstanding Balance (Cr) | - | - | - | 1,669.69 | - | 1,669.69 |
| | - | - | <i>176.56</i> | <i>122.81</i> | - | <i>299.37</i> |
| Outstanding Balance (Dr) | 2,736.08 <i>2,940.09</i> | 2,201.80 <i>1,025.35</i> | 442.63 <i>548.95</i> | - - | - | 5,380.51 <i>4,514.39</i> |

Notes to the Financial Statements (Contd...)

C) Disclosure in respect of material transactions with related parties

(Rs. in Lacs)

| Nature of Transaction | Name of the Related Party | 2013-14 | 2012-13 |
|-------------------------------|---|----------|----------|
| Purchase of Goods | Lonsen Kiri Chemical Industries Ltd. | 281.89 | 99.78 |
| Sales of Goods / | Lonsen Kiri Chemical Industries Ltd. | 6,804.43 | 1,193.63 |
| Job work Income | Chemhub Trading DMCC | 49.59 | 627.78 |
| Remuneration | Mr. Pravin A. Kiri | 12.00 | 12.00 |
| | Mr. Manish P. Kiri | 12.00 | 12.00 |
| | Mr. Shankar R.Patel | - | 10.00 |
| Investment | Lonsen Kiri Chemical Industries Ltd | 316.60 | - |
| | - Preference Share | | |
| | Chemhub Trading DMCC | - | 28.81 |
| Advance given | Kiri Infrastructure Pvt. Ltd. | 4.82 | 9.18 |
| | Kiri International (Mauritius) Pvt. Ltd. | 11.22 | - |
| Advance repaid | Kiri Infrastructure Pvt. Ltd. | 111.14 | 10.00 |
| Loan repaid | Mrs. Arunaben P. Kiri | 63.86 | 234.00 |
| | Mr. Pravin A. Kiri | 7.00 | 989.32 |
| | Mr. Manish P. Kiri | 61.71 | 157.14 |
| | Pravin A. Kiri – HUF | - | 70.00 |
| Loan taken | Mrs. Aruna P. Kiri | 251.00 | 253.81 |
| | Mr. Pravin A. Kiri | 968.69 | 1,006.53 |
| | Mr. Manish P. Kiri | 355.80 | 213.59 |
| | Mrs. Anupama M. Kiri | 33.95 | - |
| | Pravin A. Kiri – HUF | 70.00 | 73.02 |
| Guarantees given | Lonsen Kiri Chemical Industries Ltd | 8,900.00 | 8,900.00 |
| Share Application Money Given | Synthesis International Limited | - | 210.25 |
| | Chemhub Trading DMCC | 8.76 | 2.47 |
| Share Application | Mrs. Anupama M. Kiri | - | 1,040.00 |
| Money received | Kiri Peroxide Ltd. | - | 260.00 |
| Share Application | Mrs. Anupama M. Kiri | 1,040.00 | - |
| Money repaid | Kiri Peroxide Ltd. | 260.00 | - |
| Outstanding Balance (Cr) | Mrs. Arunaben P. Kiri | 215.76 | 28.62 |
| | Mr. Manish P. Kiri | 366.77 | 72.68 |
| | Mr. Pravin A. Kiri | 980.19 | 18.50 |
| | Mrs. Anupama M. Kiri | 33.95 | - |
| | Pravin A. Kiri – HUF | 73.02 | 3.02 |
| Outstanding Balance (Dr) | Synthesis International Limited | 242.46 | 296.00 |
| | SMS Chemicals Co. Ltd. | 1,999.98 | 1,999.98 |
| | Chemhub Trading DMCC | 466.09 | 627.78 |
| | Dystar Global Holdings (Singapore) Pte. Ltd | 93.31 | 93.31 |
| | Kiri Infrastructure Pvt. Ltd. | 349.32 | 455.64 |
| | Lonsen Kiri Chemical Industries Ltd. | 2,201.80 | 1,025.35 |
| | Kiri International (Mauritius) Pvt.Ltd. | 27.55 | 16.33 |

- As there is no commission paid to any of the directors, the computation of profit u/s 198 and 350 of the Companies Act, 1956 has not been given.
- The company has acquired One share of DyStar Global Holdings Singapore Pte Ltd. at Rs. 46.27 from Kiri International (Mauritius) Pvt. Ltd. Being very negligible sum, the same has not been shown in the above tables.

Notes to the Financial Statements (Contd...)

44 Segment Reporting

The Company operates mainly in manufacturing of Dyes, Dyes intermediates and Basic Chemicals. All other activities are incidental thereto, which have similar risk and return, accordingly, there are no separate reportable Segment as far as primary Segment is concerned :

Information about Secondary Geographical Segments:

(Rs. in Lacs)

| Particulars | Year ended 31 st March 2014 | Year ended 31 st March 2013 |
|--|---|---|
| Revenue by Geographical Segment | | |
| India | 38,360.21 | 44,443.36 |
| Outside India | 18,807.27 | 6,009.10 |
| Addition to Fixed Assets and Intangible Assets | | |
| India | 3,214.28 | 1,625.40 |
| Outside India | 0.00 | 0.00 |
| Carrying amount of Fixed Assets (Net) | | |
| India | 37,227.53 | 37,361.87 |
| Outside India | 0.00 | 0.00 |

45 Employee Benefits:

The present value of gratuity and leave encashment obligations is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of services as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

1. Defined Benefit Plans:

(Rs. in Lacs)

| Particulars | Gratuity | Leave Encashment |
|--|----------|------------------|
| I. Expense recognized during the year | | |
| Current Service Cost | 15.32 | 5.58 |
| Interest Cost | 5.42 | 1.12 |
| Expected return on plan assets | (0.67) | - |
| Net actuarial Losses (Gains) | (21.97) | 14.09 |
| II. Reconciliation of opening and closing balances of defined benefit obligation: | | |
| Defined benefit obligation at beginning of the Year | 65.75 | 13.63 |
| Service Cost | 15.32 | 5.58 |
| Interest Cost | 5.42 | 1.12 |
| Actuarial Losses (Gains) | (22.08) | 14.09 |
| Losses (Gains) on curtailments | - | - |
| Liabilities extinguished on settlements | - | - |
| Benefits paid | - | (19.33) |
| Defined benefit obligation at end of the year. | 64.41 | 15.09 |
| III. Reconciliation of opening and closing balances of fair value of plan assets | | |
| Fair value of plan assets at the beginning of year | 7.74 | - |
| Expected return on plan assets | 0.67 | - |
| Actuarial Gains (Losses) | (0.11) | - |
| Contributions by employer | - | - |
| Benefit paid from fund | - | - |
| Defined benefit obligation at end of the year. | 8.31 | - |

Notes to the Financial Statements (Contd...)

| Particulars | Gratuity | Leave Encashment |
|--|---|--------------------|
| IV. Reconciliation of the present value of defined benefit obligation and fair value of plan assets | | |
| Present value of defined benefit obligations at the end of the year | 8.31 | (15.09) |
| Fair value of plan assets at the end of the year | (64.41) | - |
| Net assets (liability) at the end of year | (56.10) | (15.09) |
| V. Investment details | Percentage invested as at 31.03.2014 | |
| Life Insurance Corporation of India (LIC) / SBI Life Insurance Company Ltd (SBI) | 100% | |
| VI. Actuarial Assumptions | | |
| Mortality Table (LIC) | 1994-96 (Ultimate) | 1994-96 (Ultimate) |
| Discount Rate (per annum) | 9.31% | 9.31% |
| Expected Return on plan assets (per annum) | 8.70% | 0.00% |
| Annual Increase in salary costs | 6.00% | 6.00% |
| 2. Defined Contribution plans | | |
| Contribution of Defined Contribution Plan, recognized as expense for the year as under: | (Rs. In Lacs) | |
| Particulars | 2013-14 | 2012-13 |
| Employer's Contribution to Provident Fund | 47.85 | 63.39 |
| Employer's Contribution to Superannuation Fund | — | — |

46 The company has not received information from the suppliers regarding their status under The Micro, Small & Medium Enterprises Development Act, 2006. Hence, disclosures, if any relating to amounts unpaid as at the balance sheet date together with interest paid or payable as per the requirement under the said Act, have not been made.

47 Derivative Instruments:

The company has entered into forward contracts to offset foreign currency risks arising from the amounts denominated in currencies other than the Indian Rupee. The counter parties to such forward contracts are banks.

Consequent to the announcement issued by the Institute of Chartered Accountants of India on Accounting of Derivatives, details of derivatives contracts outstanding as on March 31, 2014 are as under:

(Figures in *Italics* represent figures as at 31st March, 2013)

(Amount in lacs)

| Currency | Exposure to Buy / Sell | No. of Contracts | For the year ended 31 st March, 2014 | |
|-----------------|------------------------|------------------|---|---------------------|
| | | | Indian Currency | Foreign Currency |
| US Dollar / INR | Buy | Nil <i>1</i> | Nil <i>2,392.50</i> | Nil <i>50.00</i> |
| Euro / INR | Buy | Nil <i>8</i> | Nil <i>1,555.70</i> | Nil <i>23.00</i> |

48 Figures have been rounded off to the nearest rupee and figures of previous year have been regrouped, reclassified and readjusted wherever found necessary.

As per our separate report of even date attached herewith.

For V. D. Shukla & Co.,
Chartered Accountants
Firm Registration No. 110240W

Vimal D. Shukla
Proprietor
Membership No. 036416
Place : Ahmedabad
Date : 11th August, 2014

For and on behalf of the Board of Directors of Kiri Industries Limited

Pravin Kiri
Chairman

Manish Kiri
Managing Director

Suresh Gondalia
Company Secretary

Place : Ahmedabad
Date : 11th August, 2014

Independent Auditors' Report on Consolidated Financial Statements

To,
The Members,
Kiri Industries Limited.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **KIRI INDUSTRIES LIMITED** (the "Company"), its subsidiaries and its joint venture company (the Company, its subsidiaries and joint venture company constitute "the Group"), which comprise the Consolidated Balance Sheet as at March 31, 2014, Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year ended and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

The Company's Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

As stated in the Other Matters paragraph below, our opinion, in so far as it relates to the amounts and disclosures included in respect of the subsidiaries, jointly controlled entities and associates not audited by us, is based solely on the reports of such other auditors.

Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the financial statements/financial information of the subsidiary and separate audit report of the joint venture company; referred to below in the Other Matters paragraph, the aforesaid consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2014;
- (b) in the case of the Consolidated Statement of Profit and Loss, of the Profit of the Group for the year ended on that date; and
- (a) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

Other Matters

1. We did not audit the financial statements of the subsidiaries, whose financial Statements reflect total assets of Rs. 860.58 lacs as at March 31, 2014, total revenues of Rs.101.43 lacs for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net loss of Rs. 35.47 lacs for the year ended March 31, 2014, as considered in the consolidated financial statements, in respect of the subsidiaries, whose financial statements have not been audited by us nor by any other auditor. These financial statements have been furnished to us by the Management and our opinion, in so far as it relates to the amounts and disclosures included in respect of this subsidiaries, is based solely on those financial statements.
2. Our opinion is not qualified in respect of these matters.

For V. D. Shukla & Co.
Chartered Accountants
Firm Registration No. 110240W

Vimal D. Shukla
Proprietor
Membership No. 036416

Place : Ahmedabad
Date : 11th August, 2014

Consolidated Balance Sheet as at 31st March, 2014

| (Rs. in Lacs) | | | |
|--------------------------------|-------|---------------------------------------|---------------------------------------|
| Particulars | Notes | As At 31 st March, 2014 | As At 31 st March, 2013 |
| EQUITY AND LIABILITIES | | | |
| SHAREHOLDERS' FUNDS | | | |
| Share Capital | 3 | 1,900.01 | 1,900.01 |
| Reserves and Surplus | 4 | 15,778.14 | 15,002.83 |
| Share Application Money | | 288.45 | 1,778.41 |
| Translation Reserve | | 5.62 | 9.19 |
| | | 17,972.22 | 18,690.44 |
| NON-CURRENT LIABILITIES | | | |
| Long-term borrowings | 5 | 49,555.98 | 49,637.62 |
| Deferred tax liabilities (Net) | 6 | 2,768.31 | 2,704.35 |
| | | 52,324.29 | 52,341.97 |
| CURRENT LIABILITIES | | | |
| Short-term borrowings | 7 | 16,524.58 | 16,621.03 |
| Trade payables | 8 | 11,192.06 | 11,213.85 |
| Other current liabilities | 9 | 23,025.37 | 12,316.34 |
| Short-term provisions | 10 | 204.12 | 199.27 |
| | | 50,946.13 | 40,350.49 |
| Total | | 121,242.64 | 111,382.90 |
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Fixed assets | | | |
| Tangible assets | 11 | 32,410.36 | 32,466.87 |
| Capital work-in-progress | 11 | 11,123.47 | 10,885.32 |
| | | 43,533.83 | 43,352.19 |
| Non-current investments | 12 | 19,614.06 | 11,358.52 |
| Long-term loans and advances | 13 | 2,205.38 | 3,234.25 |
| Other non-current assets | 14 | 79.48 | 160.85 |
| | | 21,898.92 | 14,753.62 |
| CURRENT ASSETS | | | |
| Inventories | 15 | 13,958.06 | 18,617.05 |
| Trade receivables | 16 | 33,140.29 | 28,648.70 |
| Cash and cash equivalents | 17 | 1,009.08 | 659.24 |
| Short-term loans and advances | 18 | 7,573.74 | 5,241.40 |
| Other current assets | 19 | 128.72 | 110.70 |
| | | 55,809.89 | 53,277.09 |
| Total | | 121,242.64 | 111,382.90 |

Significant Accounting Policies

2

The Note numbers 3 to 43 form integral part of the Financial Statements

As per our separate report of even date attached herewith.

For V. D. Shukla & Co.,
Chartered Accountants
Firm Registration No. 110240W

Vimal D. Shukla
Proprietor
Membership No. 036416
Place : Ahmedabad
Date : 11th August, 2014

For and on behalf of the Board of Directors of Kiri Industries Limited

Pravin Kiri
Chairman

Manish Kiri
Managing Director

Suresh Gondalia
Company Secretary

Place : Ahmedabad
Date : 11th August, 2014

Consolidated Statement of Profit & Loss for the Year Ended on 31st March, 2014

| | | (Rs. in Lacs) | |
|---|-------|-------------------|--------------------|
| Particulars | Notes | 2013-2014 | 2012 - 2013 |
| Revenue from Operations | 20 | 75,022.19 | 61,141.27 |
| Less : Excise duty | | 5,899.90 | 5,736.63 |
| Net Revenue from Operations | | 69,122.29 | 55,404.64 |
| Other Income | 21 | 89.01 | 179.45 |
| Total Revenue | | 69,211.30 | 55,584.09 |
| Expenses: | | | |
| Cost of Materials Consumed | 22 | 43,795.35 | 45,392.93 |
| Purchase of Stock-in-Trade | | 727.75 | 808.20 |
| Changes in Inventories of Finished goods, Work-in-Progress & Stock-in-Trade | 23 | 6,404.77 | (390.45) |
| Employee Benefits Expense | 24 | 2,745.61 | 1,950.64 |
| Finance Costs | 25 | 8,022.18 | 7,754.62 |
| Depreciation | | 3,657.28 | 3,476.16 |
| Other Expenses: | | | |
| Administrative Expenses | 26 | 837.23 | 741.51 |
| Manufacturing Expenses | 27 | 6,353.34 | 3,859.32 |
| Selling & Distribution Expenses | 28 | 963.92 | 715.91 |
| Prior Period Adjustments | 29 | 31.57 | 20.58 |
| Total Expenses | | 73,539.00 | 64,329.42 |
| Loss before exceptional and extraordinary items and tax | | (4,327.70) | (8,745.33) |
| Less : Exceptional items | | | |
| Loss before extraordinary items and tax | | (4,327.70) | (8,745.33) |
| Less : Extraordinary Items | | 2,876.61 | 11,159.19 |
| Loss Before Tax | | (7,204.31) | (19,904.52) |
| Tax Expense | | | |
| Current Tax | | | 23.19 |
| Short Provision for earlier years | | - | 23.19 |
| Net Current Tax | | - | 24.99 |
| Deferred Tax | | 63.96 | |
| Loss after tax for the year | | (7,268.27) | (19,952.70) |
| Share of Profit from Associate | | 8,259.54 | - |
| (Loss) / Profit after tax for the year | | 991.27 | (19,952.70) |
| Earning per equity Share | | | |
| Basic | | 5.22 | (105.01) |
| Diluted | | 5.22 | (105.01) |

Significant Accounting Policies

2

The Note numbers 3 to 43 form integral part of the Financial Statements

As per our separate report of even date attached herewith.

For V. D. Shukla & Co.,
Chartered Accountants
Firm Registration No. 110240W

Vimal D. Shukla
Proprietor
Membership No. 036416
Place : Ahmedabad
Date : 11th August, 2014

For and on behalf of the Board of Directors of Kiri Industries Limited

Pravin Kiri
Chairman

Manish Kiri
Managing Director

Suresh Gondalia
Company Secretary

Place : Ahmedabad
Date : 11th August, 2014

Consolidated Cash Flow Statement for the Year Ended on 31st March, 2014

| | | (Rs. in Lacs) |
|--|--------------------|-------------------|
| PARTICULARS | 2013-2014 | 2012-2013 |
| A. Cash Flow from Operating Activities : | | |
| Net Profit before Tax and Extraordinary items | (4,327.70) | (8,745.33) |
| Adjustment for | | |
| - Depreciation | 3,657.28 | 3,476.16 |
| - Interest & Dividend Income | (85.14) | (167.42) |
| - Interest charged to P & L | 8,022.18 | 7,754.62 |
| - Profit on Sale of Fixed Assets | - | (0.02) |
| Operating Profit before working capital changes: | 7,266.62 | 2,318.01 |
| Adjustment for : | | |
| - Trade Receivables | (4,491.59) | (1,756.79) |
| - Inventories | 4,658.99 | (974.70) |
| - Long Term Advances & Other Non Current Assets | 1,110.24 | 1,532.96 |
| - Short Term Advances & Other Current Assets | (2,350.36) | 1,470.44 |
| - Trade Payables | (21.80) | (20.54) |
| - Other Current Liabilities & Short Term Provisions | 10,713.88 | 668.95 |
| - Foreign Currency Translation Reserve | (3.57) | 1.10 |
| - Deferred Tax Liability | 63.96 | 24.99 |
| Cash Generated from Operations | 16,946.37 | 3,264.42 |
| - Taxes paid/ provision & Deferred tax | (63.96) | (48.17) |
| Net Cash Flow from Operations | 16,882.41 | 3,216.25 |
| B. Cash Flow from Investment Activities : | | |
| - Purchase of Fixed Assets | (3,838.92) | (2,494.08) |
| - Sale of Fixed Assets | - | 79.85 |
| - Interest and Dividend Income | 85.14 | 167.42 |
| - Investment | (8,255.54) | - |
| Net cash flow from Investing Activities | (12,009.32) | (2,246.81) |
| C. Cash Flow from Financing Activities : | | |
| - Share Application Money | (1,489.96) | 1,485.48 |
| - Proceeds from Long term Borrowings | 399.33 | 36,962.90 |
| - Proceeds from Short term Borrowings | 1,509.86 | (2,522.87) |
| - Interest charged | (8,022.18) | (7,754.62) |
| Exceptional Items | (2,876.61) | (11,159.19) |
| Share of Profit from Associates | 8,259.54 | - |
| Repayment of Long Term Borrowings | (696.92) | (4,171.20) |
| Repayment of Short Term Borrowings | (1,606.31) | (13,664.73) |
| Net Cash Flow from Financing Activities | (4,523.25) | (824.23) |
| Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C) | 349.84 | 145.21 |
| Cash and Cash Equivalents as at (Opening) | 659.24 | 514.03 |
| Cash and Cash Equivalents as at (Closing) | 1,009.08 | 659.24 |

As per our separate report of even date attached herewith.

For V. D. Shukla & Co.,
Chartered Accountants
Firm Registration No. 110240W

Vimal D. Shukla
Proprietor
Membership No. 036416
Place : Ahmedabad
Date : 11th August, 2014

For and on behalf of the Board of Directors of Kiri Industries Limited

Pravin Kiri
Chairman

Manish Kiri
Managing Director

Suresh Gondalia
Company Secretary

Place : Ahmedabad
Date : 11th August, 2014

Notes to the Consolidated Financial Statements

1. Principles of consolidation:

The consolidated financial statements comprise the financial statements of Kiri Industries Limited, (hereinafter referred to as "the Parent company" or "The Company"), its subsidiary and a joint venture (together referred to as 'The Group').

The consolidated financial statements of the Group are prepared in accordance with Accounting Standard 21 – 'Consolidated Financial Statements', and Accounting Standard 27 – 'Financial Reporting of Interests in Joint Ventures' as notified by the Companies (Accounting Standard) Rules, 2006, as amended.

Subsidiary

- i. Subsidiary is fully consolidated from the date of acquisition / incorporation, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.
- ii. The financial statements of the Company and its subsidiary have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra group balances and intra group transactions. The intra group transactions, intra group balances and unrealised profits & losses from intra-group transactions have been eliminated.
- iii. The excess of the cost to the Company of its investment in the subsidiary over the Company's portion of equity on the acquisition date is recognised in the financial statements as "Goodwill" and is tested for impairment annually. The excess of Company's portion of equity of the Subsidiary over the cost of investment therein is treated as "Capital Reserve". The Company's portion of the equity in the subsidiary at the date of acquisition is determined after realigning the material accounting policies of the subsidiary to that of the parent and the charge/(reversal) on account of realignment is adjusted to the accumulated reserves and surplus of the subsidiary at the date of acquisition.
- iv. The consolidated financial statements are prepared using uniform accounting policies for like transactions and events in similar circumstances and necessary adjustments required for deviations, if any to the extent possible, are made in the consolidated financial statements and are presented to the extent possible, in the same manner as the Company's standalone financial statements.
- v. Minority interest in the net assets of subsidiary consists of equity attributable to the minority shareholders at the date on which investments are made by the company in the subsidiary company and share of minority interest in the net profit is adjusted against the income to arrive at the net income attributable to minority interest shareholders. Minority interest's share of net assets is presented separately in the balance sheet.
- vi. If the Group loses control over a subsidiary, it:
 - a) derecognises the assets (including goodwill) and liabilities of the subsidiary;
 - b) derecognises the carrying amount of any minority interest;
 - c) derecognises the cumulative translation differences, recorded in foreign currency translation reserve;
 - d) recognises the value of the consideration received;
 - e) recognises the value of any investment retained;
 - f) recognises any surplus or deficit in profit or losses.
- vii. Financial statements of the subsidiary are prepared for the same reporting year as the parent company i.e. for the year ended March 31, 2014.

Joint Venture

The Group recognises its interest in the joint venture using the proportionate consolidation method as per Accounting Standard 27 – 'Financial Reporting of Interests in Joint Ventures' as notified by the Rules. The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements.

Associate Company

- i. Investment in associates where the company directly or indirectly through subsidiaries holds more than 20% of equity, are accounted for using equity method as per Accounting Standard 23 – "Accounting for Investment in Associates in Consolidated Financial Statements" notified by Companies (Accounting Standards) Rules, 2006.
- ii. The Company accounts for its share of post acquisition changes in net assets of associates, after eliminating unrealized profits and losses resulting from transactions between the company and its associates to the extent of its share, through its reserves for the balance based on available information.

Notes to the Consolidated Financial Statements (Contd...)

- iii. The difference between the cost of investment in the associates and the Company's share of net assets at the time of acquisition of share in the associates is identified in the financial statements as Goodwill or Capital Reserve as the case may be.

Details of Subsidiaries and Joint Venture with respective holdings thereof

- a) List of subsidiaries and Joint Venture companies which are included in the consolidation and the Company's effective holdings therein are as under:

| Sr. No | Name of Company | Ownership in % either directly or through Subsidiaries | | Country of Incorporation |
|--------|---|--|-----------------------------|---|
| | | 2013-2014 | 2012-13 | |
| A | Subsidiaries | | | |
| i) | Synthesis International Limited | 100.00 | 100.00 | Hong Kong |
| ii) | Chemhub Trading DMCC | 100.00 | 100.00 | Dubai |
| B | Joint Venture of Kiri Industries Limited | | | |
| i) | Lonsen Kiri Chemical Industries Ltd | 40.00 | 40.00 | India |
| C | Details of Associate Company and Ownership interest is as follow: | | | (Rs in Lacs) |
| | Name of the Company | % Share held | Original cost of Investment | Goodwill/ (Capital Reserve) |
| | | | | Carrying amount of Investments as at 31.03.2014 |
| | Kiri Infrastructure Private Limited | 47.61 % | 1,443.75 | (6.79) |
| | Dystar Global Holdings (Singapore) Pte. Ltd. | 37.57% | 9,550.24 | 30,575.84 |
| | Total | | 10,993.99 | 30,569.05 |
| | | | | 41,563.04 |

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

The consolidated financial statements of the Group are prepared under the historical cost convention, on an accrual basis of accounting to comply in all material respects, with the mandatory accounting standards as notified by the Companies (Accounting Standards) Rules, 2006, as amended ('the Rules') and the relevant provisions of the Companies Act, 1956 ('the Act').

b) Use of estimates

The preparation of consolidated financial statements in conformity with Indian Generally Accepted Accounting Principles (IGAAP) requires management to make estimates and assumptions that may affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the consolidated financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

c) Fixed Assets

- i) Fixed assets are stated at cost of acquisition or construction less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Capital work-in-progress comprises of advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use as at the balance sheet date. In the case of new undertakings, pre-operative expenses are capitalized upon the commencement of commercial production.
- ii) Insurance spares / standby equipments are capitalized as part of the mother assets.

d) Depreciation

- i) Depreciation on Fixed Assets, is provided on straight line method (SLM) at the rates prescribed under Schedule XIV of the Companies Act, 1956 or the rates determined on the basis of useful lives of the respective assets, whichever is higher.

Notes to the Consolidated Financial Statements (Contd...)

- ii) In respect of assets whose useful life has been revised, the unamortised depreciable amount has been charged over the revised remaining useful life. In respect of assets purchased during the year, depreciation is provided on a pro-rata basis from the date on which such asset is ready to be put to use.
- iii) Depreciation is not recorded on capital work-in-progress until construction and installation are complete and asset is ready for its intended use. Capital work - in - progress includes capital advances.

e) Impairment

- i) The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.
- ii) After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

f) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

g) Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long - term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. However, provision is made to recognise a decline, other than temporary, in the value of long term investments.

h) Inventories

Inventories are valued as follows:

Raw materials, packing materials & stores and spares

Lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Costs include all costs in bringing the inventories to their present location and condition. Cost is determined on First In First Out (FIFO) basis.

Work – in – progress and finished goods

Lower of cost and net realizable value. Cost includes direct materials, labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods held by the parent company includes excise duty.

Obsolescence of inventory is determined on a specific review and is accordingly provided for, if any. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

i) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of Goods

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Excise Duty is deducted from turnover (gross) are the amount that is included in the amount of turnover (gross) and not the entire amount of liability arising during the year. Turnover (gross) is disclosed net of Sales tax and VAT.

Interest

Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

Notes to the Consolidated Financial Statements (Contd...)

Dividends

Revenue is recognized when the shareholders' / unitholders' right to receive payment is established by the balance sheet date. Dividend from subsidiaries is recognized even if same are declared after the balance sheet date but pertains to period on or before the date of balance sheet as per the requirement of schedule VI of the Companies Act, 1956.

Export Incentives

Revenue is recognized on an accrual basis.

j) Foreign Currency Translation

i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

iii) Exchange Differences

Exchange differences arising on a monetary item that, in substance, form part of the company's net investment in a non-integral foreign operation is accumulated in a foreign currency translation reserve in the financial statements until the disposal of the net investment, at which time they are recognized as income or as expenses.

Exchange differences arising on the settlement of monetary items not covered above, or on reporting such monetary items of company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

iv) Forward Exchange Contracts not intended for trading or speculation purposes:

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

v) Foreign operations

The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the company itself.

In translating the consolidated financial statements of a non-integral foreign operation for incorporation in consolidated financial statements, the assets and liabilities, both monetary and non-monetary (including goodwill and capital reserve), of the non-integral foreign operation are translated at the closing rate; income and expense items are translated at average exchange rates prevailing during the year. All resulting exchange differences are accounted in a foreign currency translation reserve until the disposal of the net investment.

On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognized as income or an expenses in the same period in which the gain or loss on disposal is recognized.

When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification are applied from the date of the change in the classification.

k) Employee Benefits

(i) Gratuity

The Company has obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 to 30 days salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The Company have obtained insurance policies from the Life Insurance Corporation of India and SBI Life Insurance Company Limited as an annual contribution towards gratuity fund. The company accounts for the liability for gratuity benefits payable in future based on an independent actuarial valuation.

Notes to the Consolidated Financial Statements (Contd...)

(ii) **Provident fund**

The eligible employees of the Company are entitled to receive benefits in respect of provident fund, a defined contribution plan, in which both employees and the company/subsidiaries make monthly/annual contributions at a specified percentage of the covered employees' salary. The contributions, as specified under the law, are made to the provident fund and pension fund set up by the Company and its subsidiaries or to respective Regional Provident Fund Commissioner and the Central Provident Fund under the State Pension scheme. The Company is generally liable for monthly/annual contributions and any shortfall in the fund assets based on the government specified minimum rates of return or pension and recognises such contributions and shortfall, if any, as an expense in the year incurred.

(iii) **Leave Salary**

The Company provides for the encashment of leave or leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits, for future encashment. The liability is provided based on the number of days of unutilized leave at each balance sheet date on basis of an independent actuarial valuation.

l) Income Taxes

Tax expense comprises current and deferred tax.

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India and applicable foreign tax laws in case of foreign subsidiaries. Current tax is net of credit for entitlement for Minimum Alternative tax. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income that originates in the period and are capable of reversal in one or more subsequent periods.

In respect of foreign subsidiary, Deferred tax asset and liabilities are not recognized.

At each balance sheet date the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

m) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

n) Provisions, Contingent Liabilities and Contingent Assets

A provision is recognized when a Group has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Contingent liabilities are not recognized but are disclosed by way of notes to financial statements unless the possibility of an outflow is remote.

Contingent Assets are neither recognized nor disclosed in the consolidated financial statements.

o) Cash and Cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise of cash at bank, cash in hand and short-term investments with an original maturity of three months or less.

p) Miscellaneous Expenditure

Miscellaneous Expenditure represents the expenses incurred on Initial Public Offer and preliminary expenses. Miscellaneous Expenditure is charged to Statement of Profit & Loss over 10 years on straight line basis.

Notes to the Consolidated Financial Statements (Contd...)

3 SHARE CAPITAL (Rs. in Lacs)

| Particulars | As At 31.03.2014 | As At 31.03.2013 |
|--|---------------------|---------------------|
| Authorised Share Capital | | |
| 15,00,00,000 Equity Shares (Previous year 15,00,00,000) of Rs 10/-each | 15,000.00 | 15,000.00 |
| 5,00,00,000 Preference Shares (Previous year 5,00,00,000) of Rs 10/-each | 5,000.00 | 5,000.00 |
| | 20,000.00 | 20,000.00 |
| Issued, Subscribed & Paid-up Capital | | |
| 19,000,053 Equity Shares (Previous year 19,000,053) of Rs 10/- each fully paid up | 1,900.01 | 1,900.01 |
| Total | 1,900.01 | 1,900.01 |

The reconciliation of the number of shares outstanding as at 31.03.2014 and 31.03.2013 is set out below:

| Particulars | As At 31.03.2014 | As At 31.03.2013 |
|---|---------------------|---------------------|
| Number of shares at the beginning | 19,000,053 | 19,000,053 |
| Add: Equity Shares issued during the year | - | - |
| Number of shares at the end | 19,000,053 | 19,000,053 |

The details of shareholders holding more than 5% shares as at 31.03.2014 :

| Name of the shareholders | No. of shares | % held as at 31.03.2014 | No. of shares | % held as at 31.03.2013 |
|---------------------------|------------------|-------------------------------|------------------|-------------------------------|
| Mr. Pravin Kiri | 2501680 | 13.17 | 3582416 | 18.85 |
| Mr. Manish Kiri | 1859391 | 9.79 | 1859391 | 9.79 |
| GMO Emerging Markets Fund | 1016942 | 5.35 | 790064 | 4.16 |

Notes to the Consolidated Financial Statements (Contd...)

4 RESERVES AND SURPLUS (Rs. in Lacs)

| Particulars | As At 31.03.2014 | As At 31.03.2013 |
|---|---------------------|---------------------|
| - Debenture Redemption Reserve | | |
| Opening Balance | 800.00 | 800.00 |
| Add : Transfer from Statement of Profit & Loss | - | - |
| Closing Balance | 800.00 | 800.00 |
| - Preference Share Redemption Reserve | | |
| Opening Balance | 888.00 | 444.00 |
| Add : Transfer from Statement of Profit & Loss | 444.00 | 444.00 |
| Closing Balance | 1,332.00 | 888.00 |
| - Security Premium | | |
| Opening Balance | 28,180.20 | 28,431.92 |
| Addition during the year | - | - |
| Less : Zero Coupen Foreign Currency Convertible Bonds issue exps. | 215.96 | 251.72 |
| Closing Balance | 27,964.24 | 28,180.20 |
| - General Reserve | | |
| Opening Balance | 465.80 | 465.80 |
| Add : Transfer from Statement of Profit & Loss | - | - |
| Closing Balance | 465.80 | 465.80 |
| - Surplus | | |
| Opening Balance | (15,331.17) | 5,065.53 |
| Add : Net profit after tax transferred from Statement of Profit and Loss | 991.27 | (19,952.70) |
| Amount available for appropriation | (14,339.90) | (14,887.17) |
| Appropriation | | |
| Less : Transfer to Preference Share Redemption Reserve | 444.00 | 444.00 |
| Closing Balance | (14,783.90) | (15,331.17) |
| Total | 15,778.14 | 15,002.83 |

Note : The Company has not created Debenture Redemption Reserve for the year under review, in view of the clarification issued by Department of Company Affairs vide General Circular No. 9/2002 No. 6/3/2001-CL.V dated 18-04-2002.

5 LONG TERM BORROWINGS (Rs. in Lacs)

| Particulars | As At 31.03.2014 | As At 31.03.2013 |
|--|---------------------|---------------------|
| Secured : | | |
| Non Convertible Debentures | 4,000.00 | 4,000.00 |
| Term Loans from Banks & Others | 43,985.04 | 43,036.13 |
| Hire Purchase Loans | 22.95 | 172.32 |
| Unsecured : | | |
| Zero Coupon Foreign Currency Convertible Bonds | 421.39 | 246.50 |
| Term Loans from Banks | 1,126.60 | 2,182.67 |
| Total | 49,555.98 | 49,637.62 |

Notes to the Consolidated Financial Statements (Contd...)

The details of security of the long term borrowings are set out below :

| Sr. No. | Description of Assets/Security | Security given to |
|---------|---|--|
| 1 | All that piece or parcel of lease hold Plot No. 299/1/A, admeasuring about 3767 sq. mts., alongwith factory shed building, Plant and Machinery standing thereon of Vatwa Industrial Estate of Gujarat Industrial Development Corporation, situated upon land bearing Survey No. 416/p and 410/p of mouje: Vinzol, Taluka: Dascroi, Registration District Ahmedabad and Sub-District Ahmedabad-5 (Narol) | First pari passu charge for securing working capital facilities, Working Capital Term Loan and Funded Interest Term Loan from consortium banks and Term loan of State Bank of India, Punjab National Bank and Export Import Bank of India. |
| 2 | All that piece or parcel of lease hold Plot No. 299/1/B, admeasuring about 2050 sq. mts., alongwith factory shed building, Plant and Machinery standing thereon of Vatwa Industrial Estate of Gujarat Industrial Development Corporation, situated upon land bearing Survey No. 416/p and 410/p of mouje: Vinzol, Taluka: Dascroi, Registration District Ahmedabad and Sub-District Ahmedabad-5 (Narol) | First pari passu charge for securing working capital facilities, Working Capital Term Loan and Funded Interest Term Loan from consortium banks and Term loan of State Bank of India, Punjab National Bank and Export Import Bank of India. |
| 3 | All that piece or parcel of lease hold Plot No. 10/8, (Phase-I), admeasuring about 2539 Sq. Mtrs. alongwith Factory shed building, Plant and Machinery standing thereon of Vatwa Industrial Estate of Gujarat Industrial Development Corporation, situated upon land bearing Survey No. 418/p of mouje: Vinzol & Vatwa, Taluka: Dascroi, Registration District Ahmedabad and Sub-District Ahmedabad-5 (Narol) | First pari passu charge for securing working capital facilities, Working Capital Term Loan and Funded Interest Term Loan from consortium banks, and Term loan of State Bank of India, Punjab National Bank and Export Import Bank of India. |
| 4 | All that piece or parcel of non-agricultural land bearing amalgamated Block No. 396 (allotted in lieu of old Block Nos. 396, 399, 400/A, 400/B, 401, 402, 403 and 404/A) totally admeasuring about 45773 sq. mts. Alongwith factory shed building, plant and machinery at Mouje: Dudhavada, Taluka: Padra, Registration District Vadodara and Sub-District Padra. | First pari Passu Charge to IDBI Trusteeship Services Ltd for securing Non convertible debentures and to secure term loan of State Bank of India, Punjab National Bank and Export Import Bank of India and working capital facilities from consortium banks. |
| 5 | All that piece and parcel of non-agricultural land bearing Block No. 552/A, 566, 567, 569, 570 & 571 admeasuring about 31942 sq.mts., Alongwith factory shed building, plant and machinery at Mouje: Dudhwada, Taluka: Padra, Registration District: Vadodara and Sub-District: Padra | First pari Passu Charge to IDBI Trusteeship Services Ltd for securing Non convertible debentures and to secure term loan of State Bank of India, Punjab National Bank and Export Import Bank of India and working capital facilities from consortium banks. |
| 6 | All that piece or parcel of lease hold Plot Nos. 365 & 366, admeasuring about 1507.93 sq. mts., along with factory shed building standing thereon of Vatwa Industrial Estate of Gujarat Industrial Development Corporation, situated upon land bearing Survey 410/p of mouje: Vinzol, Taluka: Dascroi, Registration District Ahmedabad and Sub-District Ahmedabad-5 (Narol) | First pari passu charge for securing term loan of State Bank of India and Punjab National Bank. Second pari passu charge for securing working capital facilities, Working Capital Term Loan, Funded Interest Term Loan from consortium banks and Term loan of Export Import Bank of India. |

Notes to the Consolidated Financial Statements (Contd...)

| Sr. No. | Description of Assets/Security | Security given to |
|---------|--|--|
| 7 | All that piece and parcel of non agricultural land bearing Block No. 390/A, 390/B, 391/A, 391/B, 394/A/1, admeasuring about 22311 sq. mts., Alongwith factory shed building, plant and machinery situate lying and being at mouje: Dudhwada, Taluka: Padra, Registration District: Vadodara and Sub-District: Padra | First pari passu charge for securing term loan of State Bank of India and Punjab National Bank. Second pari passu charge for securing working capital facilities, Working Capital Term Loan, Funded Interest Term Loan from consortium banks and Term loan of Export Import Bank of India. |
| 8 | All that piece and parcel of non agricultural land bearing Block No. 393, 394/A/2 394/B/1, 394/B/2, admeasuring about 16313 sq.mts., Alongwith factory shed building, plant and machinery, Power plant situate lying and being at mouje: Dudhwada, Taluka: Padra, Registration District: Vadodara and Sub-District: Padara | First Charge to Export Import Bank of India for securing their term loan. Second pari passu charge for securing term loan of State Bank of India and Punjab National Bank and working capital facilities, Working Capital Term Loan, Funded Interest Term Loan from consortium banks. |
| 9 | All that pieces and parcels of lands, comprised in and forming part of lands admeasuring 1,69,463 Sq. Mtrs., together with all buildings, structures, erections, etc. constructed and/or to be constructed thereon, both present and future, and being, lying and situated at Village: Kadodara, Tehsil: Wagra & Distt. Bharuch and uninstalled plant and machinery of Hydrogen Peroxide Plant of the Company. | First charge for securing corporate loan from IFCI Limited. |
| 10 | First charge on vehicles financed by the Kotak Mahindra Prime Limited | First Charge on vehicles financed by Kotak Mahindra Prime Ltd. |
| 11 | Pledge of 26,23,353 equity shares of Dystar Global Holdings (Singapore) Pte. Ltd. | Pledge of 13,11,677 equity shares to Consortium bankers and 13,11,676 to State Bank of India. |
| 12 | Term Deposit of Rs. 2.20 crores | First pari passu charge for securing working capital facilities provided by State Bank of India and Union Bank of India. |
| 13 | Plant and machinery and other assets of Levafix Reactive dyes of the Company. | First charge on Machineries / other assets purchased out of Term Loan-II provided by Union Bank of Indian and Second charge on all the other assets of the Company purchased / to be purchased for setting up unit for manufacturing of Levafix Reactive dyes of the Company. |

Note: The Company has not created charge for securing new facilities provided to the Company on account of restructuring of debts on properties stated in Sr. No. 4 & 5 above, because of legal issues with IDBI Trusteeship Services Limited pending with Hon'ble Bombay High Court.

Notes to the Consolidated Financial Statements (Contd...)

The details of Loans guaranteed by Directors are set out below :

(Rs. in Lacs)

| Particulars | Guaranteed by | Amount of Loan |
|---|---|----------------|
| Secured Loans | | |
| Non Convertible Debentures | Personal Guarantees of some of the directors | 4,000.00 |
| Term Loans from Indian Overseas Bank, ING Vyasya Bank Limited, State Bank of India, Export Import Bank of India, Punjab National Bank and Union Bank of India | Personal Guarantees of some of the directors | 17,650.22 |
| Working Capital Term Loans and Funded Interest Term Loans from State Bank of India, Bank of India, Oriental Bank of Commerce, Export Import Bank of India, Punjab National Bank, Standard Chartered Bank and Indian Bank. | Personal Guarantees of some of the directors | 37,657.30 |
| Corporate Loan from IFCI Ltd | Personal Guarantees of some of the directors and pledge of shares | 3,201.52 |

The details of the terms of repayment of Non Convertible Debentures are set out below:

(Rs. in Lacs)

| Nature of Loans | Amount | Terms of Repayments |
|----------------------------|----------|---|
| Non Convertible Debentures | 4,000.00 | <p>Series A (Rs. 2,500 lacs): Repayment in 16 quarterly installments with 2% Redemption premium starting from end of 5th quarter from the date of allotment i. e. 12.08.2011. At the end of 5th to 8th quarter - 2.5% of principal, 9th to 12th quarter - 5% of principal, 13th to 16th quarter - 7.5% of principal, 17th to 20th quarter - 10% of principal. Rate of Interest - 10.75%.</p> <p>Series B (Rs. 1,500 lacs): Repayment in 16 quarterly installments with 2% Redemption premium starting from end of 5th quarter from the date of allotment i. e. 07.10.2011. At the end of 5th to 8th quarter - 2.5% of principal, 9th to 12th quarter - 5% of principal, 13th to 16th quarter - 7.5% of principal, 17th to 20th quarter - 10% of principal. Rate of Interest - 10.75%.</p> |

Note : There are counter claims of the company against NCD holder and hence the company has not paid interest and installments during the period.

The details of the terms of repayment of Term Loans & other loans are set out below:

The consortium members banks have realigned the debt of the company. Where in installments for various term loans have been structured with back ended balloning and hence the amount of installment varies from Rs. 1.20 cr. for WCTL - I in year 1 to Rs. 2.01 cr. in year 10, for WCTL - II the installment Rs. 40.01 cr. in year 1 and Rs.35.00 cr in year 2, WCTL - III of Rs. 10.66 cr. is payable in year 1, for WCTL - IV the installment Rs. 1.11 cr. in year 1 to Rs.49.05 cr.in year 10, for FITL the installment Rs. 0.51 cr in year 1 to Rs. 0.52 cr. in year 10, for Term Loan I the installment Rs. 1.56 cr. in year 1 to Rs. 9.23 cr. in year 10, Term Loan II of Rs. 13.33 cr. is payable within year 1.

Notes to the Consolidated Financial Statements (Contd...)

The details of continuing default as on the Balance Sheet date in repayment of loans and interest are set out below: (Rs. in Lacs)

| Particulars | Nature of Default | Period of continuing default | Amount of continuing default |
|---------------------------|-------------------|------------------------------|------------------------------|
| State Bank of India | Interest | Since April, 2013 | 2,361.12 |
| | Principal | Since June, 2013 | 2,274.00 |
| Punjab National Bank | Interest | Since April, 2013 | 1,396.79 |
| | Principal | Since June, 2013 | 233.00 |
| Indian Bank | Interest | Since April, 2013 | 462.95 |
| | Principal | Since June, 2013 | 572.00 |
| Bank of India | Interest | Since Januray, 2014 | 68.86 |
| | Principal | Since June, 2013 | 233.00 |
| Oriental Bank of Commerce | Interest | Since July, 2013 | 207.31 |
| | Principal | Since June, 2013 | 182.00 |
| EXIM Bank | Interest | Since January, 2014 | 272.17 |
| | Principal | Since March, 2014 | 722.30 |
| Indian Overseas Bank | Principal | Since January, 2012 | 524.88 |
| ING Vysya Bank | Interest | Since September, 2012 | 423.32 |
| | Principal | Since September, 2013 | 540.25 |

Though the borrowings on account of Non Convertible Debentures and borrowings from IFCI Ltd. have been recalled, the same have been classified as long term borrowings in view of the original terms of agreements and legal disputes pending with various authorities. There are counter claims of the company against IFCI Limited and hence the company has not paid interest and installments during the period.

6 DEFERRED TAX

The Company estimates deferred tax assets and liabilities using the applicable rate of taxation based on the impact of timing difference between financial statements and estimated taxable income for the current year. The net deferred tax assets /liabilities as at March 31, 2014 is given as below:

(Rs. in Lacs)

| Particulars | As At 31.03.2014 | Deferred Tax Liabilities As At 31.03.2013 |
|--|---------------------|--|
| Opening Balance of Deferred Tax Liabilities (Net) | 2,704.35 | 2,679.36 |
| Add : Addition during the year | 63.96 | 24.99 |
| Total | 2,768.31 | 2,704.35 |

7 SHORT-TERM BORROWINGS

(Rs. in Lacs)

| Particulars | As At 31.03.2014 | As At 31.03.2013 |
|----------------------------------|---------------------|---------------------|
| Secured : | | |
| Working Capital Loan from Banks | 13,418.58 | 14,990.32 |
| Unsecured : | | |
| Working Capital Facility | 963.13 | 965.90 |
| Loans from Directors / Promoters | 1,669.68 | 122.81 |
| Intercompany Deposits | 473.19 | 542.00 |
| Total | 16,524.58 | 16,621.03 |

Note : The company has not provided for interest on Intercompany deposits in view of litigation pending against them before statutory authorities.

Notes to the Consolidated Financial Statements (Contd...)

The details of security of short term borrowings are set out below : (Rs. in Lacs)

| Nature of Loans | Amount | Secured by |
|---|-----------|--|
| Secured Loans : | | |
| Working Capital Loan repayable on demand from State Bank of India, Bank of India, Indian Bank, Punjab National Bank, Oriental Bank of Commerce, EXIM Bank, Standard Chartered Bank and Union Bank of India. | 13,418.58 | Hypothecation of Stock, Book debt, Movable Plant and machinery and Personal Guarantees of some of the directors |
| First pari passu charge for securing working capital facilities provided by State Bank of India and Union Bank of India. | 576.84 | All that piece or parcel of Non - Agricultural land for industrial purpose bearing Block Nos. 577/B, 584/B, 588, 589, 489, 490, 586 and 545 along with construction standing thereon situate lying and being at mouje: Dudhwada, Taluka: Padra, Registration District: Vadodara and Sub District: Padra. |
| Working capital loan taken from ICBC bank | 660.00 | Standby letter of credit issued by ICBC Zhejiang Branch and the value of standby letter of credit will be US \$ 3 million only. |

The details of Loans guaranteed by Directors or others are set out below : (Rs. in Lacs)

| Particulars | Guaranteed by | Amount of Loan |
|--|--|----------------|
| Unsecured Loans : | | |
| Working Capital Facility from India Factoring and Finance Solutions Pvt. Ltd. & IFCI Factoris Ltd. | Personal Guarantee of some of the Directors | 963.13 |
| Inter Corporate Deposits | Personal Guarantee of some of the Directors & pledge of shares | 473.19 |

8 TRADE PAYABLES (Rs. in Lacs)

| Particulars | As At 31.03.2014 | As At 31.03.2013 |
|----------------|---------------------|---------------------|
| Trade payables | 11,192.06 | 11,213.85 |
| Total | 11,192.06 | 11,213.85 |

9 OTHER CURRENT LIABILITIES (Rs. in Lacs)

| Particulars | As At 31.03.2014 | As At 31.03.2013 |
|---|---------------------|---------------------|
| Current Maturity of Long-term secured debt | 10,508.00 | 6,703.65 |
| Current Maturity of Long-term unsecured debt | 1,605.38 | 530.48 |
| Credit Balances in Bank Accounts | - | 46.71 |
| Interest accrued but not due on Unsecured Loans | - | 142.39 |
| Interest accrued and due on borrowings | 6,616.42 | 455.30 |
| Advance received from Customers | 2,347.36 | 1,734.51 |
| Statutory Dues | 115.00 | 216.05 |
| Unpaid / Unclaimed Dividend | 1.13 | 1.13 |
| Employee Benefit Payables | 158.40 | 167.21 |
| Other Liabilities | 1,673.68 | 2,318.91 |
| Total | 23,025.37 | 12,316.34 |

10 SHORT-TERM PROVISIONS (Rs. in Lacs)

| Particulars | As At 31.03.2014 | As At 31.03.2013 |
|--|---------------------|---------------------|
| Provision for Employee Benefit - current | 157.89 | 153.04 |
| Provision for Tax on Dividend | 46.23 | 46.23 |
| Total | 204.12 | 199.27 |

Notes to the Consolidated Financial Statements (Contd...)

11 FIXED ASSETS

(Rs. in Lacs)

| Assets | Opening Balance As on 01.04.2013 | Addition during the year | Adjusted sold during the year | Gross Block As on 31.03.2014 | Depreciation Up to 31.03.2013 | Depreciation provided during the year | Adjusted during the year | Total Dep. Up to 31.03.2014 | Net Block As on 31.03.2014 | Net Block As on 31.03.2013 |
|--------------------------|---|--------------------------------|--|---------------------------------------|-------------------------------------|--|--------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| TANGIBLE ASSETS | | | | | | | | | | |
| Land | 1,420.92 | - | - | 1,420.92 | - | - | - | - | 1,420.92 | 1,420.92 |
| Building | 7,460.66 | 344.03 | - | 7,804.69 | 844.91 | 251.95 | - | 1,096.86 | 6,707.83 | 6,615.75 |
| Plant & Machinery | 32,345.03 | 3,003.09 | - | 35,348.12 | 9,404.39 | 3,231.78 | - | 12,636.17 | 22,711.95 | 22,940.64 |
| Electrification | 1,195.37 | 234.90 | - | 1,430.27 | 278.44 | 109.60 | - | 388.04 | 1,042.23 | 916.93 |
| Office Equipments | 101.52 | 4.94 | - | 106.46 | 20.80 | 4.46 | - | 25.26 | 81.20 | 80.72 |
| Furniture & Fixture | 173.68 | 2.92 | - | 176.60 | 42.35 | 10.93 | - | 53.28 | 123.32 | 131.33 |
| Vehicles | 543.45 | 10.89 | - | 554.34 | 182.87 | 48.56 | - | 231.43 | 322.91 | 360.58 |
| Capital Work In Progress | 10,885.32 | 238.15 | - | 11,123.47 | - | - | - | - | 11,123.47 | 10,885.32 |
| TOTAL | 54,125.95 | 3,838.92 | - | 57,964.87 | 10,773.76 | 3,657.28 | - | 14,431.04 | 43,533.83 | 43,352.19 |
| PREVIOUS YEAR | 51,766.97 | 2,494.08 | 135.10 | 54,125.95 | 7,352.86 | 3,476.16 | 55.26 | 10,773.76 | 43,352.20 | 44,414.12 |

Note : Land includes agricultural land intended for industrial purpose, held in the name of the chairman of the Company in his fiduciary capacity as per Section 88 of the Indian Trust Act, 1882, pending necessary approval for conversion of agriculture land into non agriculture land.

12 NON CURRENT INVESTMENTS

(Rs. in Lacs)

| Particulars | As At 31.03.2014 | As At 31.03.2013 |
|---|---------------------|---------------------|
| Unquoted | | |
| - Investments in Mutual Funds | | |
| • 100,000 Units (P.Y.100,000) SBI Infrastructure Fund (NAV of the units held Rs. 7.61 lacs (P.Y.7.81 lacs) | 10.00 | 10.00 |
| - Investment in Subsidiary | | |
| • 1 Equity Share (P.Y. 1) of US \$ 1 each in Kiri International (Mauritius) Private Ltd. | 0.00 | 0.00 |
| • Nil Equity Shares (P.Y. 49,994) of INR 10 each in Kiri Peroxide Limited | 0.00 | 5.00 |
| • 13,411 Equity Share (P.Y. 13,411) of SG \$ 1 each in Kiri Investment & Trading Singapore Pvt. Ltd. | 5.00 | 5.00 |
| • 9,70,000 Equity Shares (P.Y. 9,70,000) of NTD 10 each in SMS Chemical Co Ltd Fully Paid Up | 339.53 | 339.53 |
| - Investment in Associate Company | | |
| • Cost of Investment in DyStar Global Holdings (Singapore) Pte. Ltd. (Including Rs. 30575.84 lacs of Goodwill arising on consolidation) | 9,550.24 | 9,550.24 |
| • Add : Share of Profit | 8,259.54 | 0.00 |
| • Cost of investment in Kiri Infrastructure Private Limited (Including Rs. 6.79 lacs of Capital Reserve arising on consolidation) | 1,443.75 | 1,443.75 |
| - Investments in Equity Instruments | | |
| • 20,000 Equity Shares (P.Y. 20,000) of Rs. 25 each in Kalupur Commercial Co-Operative Bank Limited. | 5.00 | 5.00 |
| • 10,000 Equity Shares (P. Y. Nil) of Rs. 10 each in Kapsil Aqua Enviro Limited | 1.00 | 0.00 |
| Total Non-current Investment | 19,614.06 | 11,358.52 |

Notes to the Consolidated Financial Statements (Contd...)

13 LONG-TERM LOANS AND ADVANCES

(Rs. in Lacs)

| Particulars | As At 31.03.2014 | As At 31.03.2013 |
|-------------------------------------|---------------------|---------------------|
| Capital Advances | | |
| Unsecured, considered good | 982.39 | 1,955.18 |
| Doubtful | - | - |
| | 982.39 | 1,955.18 |
| Less : Allowance for Bad & Doubtful | - | - |
| | 982.39 | 1,955.18 |
| Security Deposits | | |
| Unsecured, considered good | 392.17 | 382.68 |
| Doubtful | - | - |
| | 392.17 | 382.68 |
| Less : Allowance for Bad & Doubtful | - | - |
| | 392.17 | 382.68 |
| Other Loans & Advances | | |
| Loans & Advance to Employees | 64.70 | 34.68 |
| Other Loans & Advances | 766.12 | 861.71 |
| | 830.82 | 896.39 |
| Less : Allowance for Bad & Doubtful | - | - |
| | 830.82 | 896.39 |
| Total | 2,205.38 | 3,234.25 |

14 OTHER NON-CURRENT ASSETS

(Rs. in Lacs)

| Particulars | As At 31.03.2014 | As At 31.03.2013 |
|----------------------|---------------------|---------------------|
| Deposits with Banks | 64.44 | 143.51 |
| Unamortised Expenses | 15.04 | 17.34 |
| Total | 79.48 | 160.85 |

15 INVENTORIES

(Rs. in Lacs)

| Particulars | As At 31.03.2014 | As At 31.03.2013 |
|--|---------------------|---------------------|
| Raw Material | 4,596.83 | 2,870.07 |
| Finished Goods | 4,226.36 | 2,697.27 |
| Stock in Process & Semi Finished Goods | 4,757.87 | 12,649.49 |
| Packing Material | 377.00 | 400.22 |
| Total | 13,958.06 | 18,617.05 |

Notes to the Consolidated Financial Statements (Contd...)

16 TRADE RECEIVABLES

(Rs. in Lacs)

| Particulars | As At 31.03.2014 | As At 31.03.2013 |
|---|---------------------|---------------------|
| Debt outstanding for a period exceeding six months | | |
| Unsecured considered good | 19,247.07 | 14,232.79 |
| Doubtful | 1,349.12 | 1,547.31 |
| | 20,596.19 | 15,780.10 |
| Less : Allowance for Bad & Doubtful | - | - |
| | 20,596.19 | 15,780.10 |
| Other debts | | |
| Unsecured considered good | 12,544.10 | 12,868.60 |
| Doubtful | - | - |
| | 12,544.10 | 12,868.60 |
| Less : Allowance for Bad & Doubtful | - | - |
| | 12,544.10 | 12,868.60 |
| Total | 33,140.29 | 28,648.70 |

Note : The Management has considered some of the debts as doubtful but not bad and therefore, no provision has been made in accounts.

17 CASH AND CASH EQUIVALENTS

(Rs. in Lacs)

| Particulars | As At 31.03.2014 | As At 31.03.2013 |
|--|---------------------|---------------------|
| Cash on Hand | 48.81 | 49.08 |
| Balances with Scheduled Banks | | |
| In Current Account | 959.21 | 609.04 |
| Balances with Non-Scheduled Banks | | |
| In Current Account | - | 0.06 |
| Others | | |
| Balances in Unpaid Dividend Accounts | 1.06 | 1.06 |
| Total | 1,009.08 | 659.24 |

Notes to the Consolidated Financial Statements (Contd...)

18 SHORT-TERM LOANS AND ADVANCES

(Rs. in Lacs)

| Particulars | As At 31.03.2014 | As At 31.03.2013 |
|---|---------------------|---------------------|
| Others | | |
| Unsecured, considered good | | |
| Advance Tax & Tax Deducted at Source (Net of Provision Rs. 1612.61 lacs Less : - Rs. 258.31 lacs) | 1,354.30 | 1,289.15 |
| MAT Credit Entitlement | 443.09 | 443.10 |
| Balance with Government Authorities | 4,437.47 | 2,895.96 |
| Advances to Suppliers | 1,250.67 | 526.28 |
| Prepaid expenses | 30.05 | 29.08 |
| Other Loans & Advances | 58.16 | 57.83 |
| Doubtful | - | - |
| | 7,573.74 | 5,241.40 |
| Less : Allowance for Bad & Doubtful | - | - |
| Total | 7,573.74 | 5,241.40 |

19 OTHER CURRENT ASSETS

(Rs. in Lacs)

| Particulars | As At 31.03.2014 | As At 31.03.2013 |
|------------------------------|---------------------|---------------------|
| Interest Accrued on Deposits | 128.72 | 110.70 |
| Total | 128.72 | 110.70 |

Notes to the Consolidated Financial Statements (Contd...)

20 REVENUE FROM OPERATIONS (Rs. in Lacs)

| Particulars | 2013-2014 | 2012-2013 |
|-------------------------|------------------|------------------|
| Sale of Products | 68,290.77 | 53,406.90 |
| Other Operating Revenue | 831.52 | 1,997.74 |
| Total | 69,122.29 | 55,404.64 |

21 OTHER INCOME (Rs. in Lacs)

| Particulars | 2013-2014 | 2012-2013 |
|--|--------------|---------------|
| Interest Income | | |
| - FDs with Banks & ICDs | 31.41 | 46.80 |
| - Others | 52.98 | 119.87 |
| | 84.39 | 166.67 |
| Dividend Income | 0.75 | 0.75 |
| Net gain on sale of Fixed Assets | - | 0.02 |
| Profit or Loss on Investment | 0.06 | - |
| Excess E.C.G.C. Premium Provision Written Back | - | 12.01 |
| Miscellaneous Income | 3.81 | - |
| Total | 89.01 | 179.45 |

22 COST OF MATERIALS CONSUMED (Rs. in Lacs)

| Particulars | 2013-2014 | 2012-2013 |
|--|------------------|------------------|
| Raw Material Consumed : | | |
| Opening Inventory | 2,860.60 | 2,407.70 |
| Add : Purchases (Net) | 44,374.29 | 45,430.52 |
| Less: Inventory at the end of the year | 4,580.70 | 2,860.60 |
| Cost of Raw Material consumed during the year | 42,654.19 | 44,977.62 |
| Packing Material Consumed : | | |
| Opening Inventory | 400.21 | 293.49 |
| Add : Purchases (Net) | 1,117.95 | 522.03 |
| Less: Inventory at the end of the year | 377.00 | 400.21 |
| Cost of Packing Material consumed during the year | 1,141.16 | 415.31 |
| Total | 43,795.35 | 45,392.93 |

23 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS & STOCK-IN TRADE (Rs. in Lacs)

| Particulars | 2013-2014 | 2012-2013 |
|--|------------------|------------------|
| (Increase)/decrease in Stocks | | |
| Stock at the beginning of the year : | | |
| Finished Goods | 2,718.39 | 1,837.88 |
| Work in Progress & Semi Finished Goods | 12,649.49 | 13,103.28 |
| | 15,367.88 | 14,941.16 |
| Stock at the end of the year : | | |
| Finished Goods | 4,205.24 | 2,682.12 |
| Work in Progress & Semi Finished Goods | 4,757.87 | 12,649.49 |
| | 8,963.11 | 15,331.61 |
| Total | 6,404.77 | (390.45) |

Notes to the Consolidated Financial Statements (Contd...)

24 EMPLOYEE BENEFIT EXPENSES (Rs. in Lacs)

| Particulars | 2013-2014 | 2012-2013 |
|--|-----------------|-----------------|
| Salaries, Wages & Bonus | 2,548.60 | 1,755.32 |
| Contribution to Provident fund & other funds | 75.14 | 83.80 |
| Welfare Expenses | 121.87 | 111.52 |
| Total | 2,745.61 | 1,950.64 |

25 FINANCE COST (Rs. in Lacs)

| Particulars | 2013-2014 | 2012-2013 |
|------------------------------|-----------------|-----------------|
| Interest & Financial Charges | | |
| - Interest Cost | 7,846.63 | 7,378.45 |
| - Financial Charges | 175.55 | 376.17 |
| Total | 8,022.18 | 7,754.62 |

26 ADMINISTRATIVE EXPENSES (Rs. in Lacs)

| Particulars | 2013-2014 | 2012-2013 |
|-----------------------------------|---------------|---------------|
| Insurance Premium | 55.42 | 61.69 |
| Communication Expenses | 37.90 | 38.92 |
| Postage & Conveyance | 28.03 | 16.10 |
| Travelling & Conveyance | 120.54 | 101.55 |
| Repairs & Maintenance - Others | 10.98 | 4.21 |
| Membership & Subscription | 0.47 | 1.51 |
| Security Expenses | 63.66 | 51.52 |
| Legal & Professional Fees | 444.92 | 409.81 |
| Payment to Auditors | | |
| - Audit Fees | 7.60 | 7.60 |
| - For Tax Audit | 2.80 | 2.80 |
| - Certification and Other Matters | 2.00 | 2.00 |
| | 12.40 | 12.40 |
| Rates & Taxes | 38.24 | 24.67 |
| Donation | 7.14 | 0.66 |
| Miscellaneous Expenses | 15.22 | 12.97 |
| Preliminary Expenses | 2.31 | 5.50 |
| Total | 837.23 | 741.51 |

27 MANUFACTURING EXPENSES (Rs. in Lacs)

| Particulars | 2013-2014 | 2012-2013 |
|------------------------------|-----------------|-----------------|
| Power & Fuel | 5,026.64 | 3,393.22 |
| Pollution Treatment Expenses | 117.59 | 126.68 |
| Repairs & Maintenance | | |
| - Buildings | 29.88 | 3.46 |
| - Machineries | 887.64 | 204.74 |
| - Other Assets | 148.09 | 38.41 |
| | 1,065.61 | 246.61 |
| Laboratory Expenses | 33.88 | 18.87 |
| Factory Expenses | 109.62 | 43.24 |
| Rent Expenses | - | 30.70 |
| Total | 6,353.34 | 3,859.32 |

Notes to the Consolidated Financial Statements (Contd...)

28 SELLING & DISTRIBUTION EXPENSES (Rs. in Lacs)

| Particulars | 2013-2014 | 2012-2013 |
|--|---------------|---------------|
| Warehouse Charges | 1.84 | 5.30 |
| Export Expenses | 163.51 | 57.99 |
| Outward Freight & Transportation Charges | 622.31 | 395.87 |
| Travelling Expenses | 57.40 | 47.35 |
| Advertisement & Sales Promotion Expenses | 118.86 | 209.40 |
| Total | 963.92 | 715.91 |

29 PRIOR PERIOD ADJUSTMENTS (Rs. in Lacs)

| Particulars | 2013-2014 | 2012-2013 |
|-----------------------|--------------|--------------|
| Prior Period Expenses | 31.57 | 20.58 |
| Total | 31.57 | 20.58 |

30. The accounts of the subsidiary which are neither audited by us nor by any other auditor have been compiled, consolidated and certified by the management of respective subsidiary.

31. Extra ordinary items include derivative losses of Rs. 2,563.10 lacs. (P.Y. Rs. 8,118.26 lacs)

32. Segment Information

The Company operates mainly in manufacturing of Dyes, Dyes intermediates and Basic Chemicals. All other activities are incidental thereto, which have similar risk and return, accordingly, there are no separate reportable Segment as far as primary Segment is concerned :

Information about Secondary Geographical Segments: (Rs. in Lacs)

| Particulars | Year ended 31 st March 2014 | Year ended 31 st March 2013 |
|--|---|---|
| Revenue by Geographical Segment | | |
| India | 37,045.02 | 44,018.14 |
| Outside India | 31,245.71 | 9,788.82 |
| Addition to Fixed Assets and Intangible Assets | | |
| India | 3,838.92 | 2,494.08 |
| Outside India | 0.00 | 0.00 |
| Carrying amount of Fixed Assets (Net) | | |
| India | 43,533.83 | 43,352.20 |
| Outside India | 0.00 | 0.00 |

33 Capital Commitments (Rs. In Lacs)

| Particulars | As at 31 st March 2014 | As at 31 st March 2013 |
|---|--------------------------------------|--------------------------------------|
| Estimated amount of contracts remaining to be executed on capital account and not provided for: | | |
| • Share of Joint venture | 356.34 | 101.60 |
| Total | 356.34 | 101.60 |

Notes to the Consolidated Financial Statements (Contd...)

34 Contingent Liabilities not provided for (Rs. In Lacs)

| Particulars | As at 31 st March 2014 | As at 31 st March 2013 |
|--|--------------------------------------|--------------------------------------|
| Outstanding Letter of Credit | | |
| - Parent company Rs. Nil Lacs (P.Y. Rs. 555.88 Lacs) | | |
| - Joint Venture company Rs.313.29 Lacs (P.Y. Rs. 120.44 Lac) | 313.29 | 676.32 |
| Bank Guarantees given by | | |
| - Parent company Rs.188.29 Lacs (P.Y. Rs. 168.06 Lacs) | | |
| - Joint Venture company Rs.59.83 Lacs (P.Y. Rs. 57.40 Lacs) | 248.12 | 225.46 |
| Corporate Guarantees given by Parent company on behalf of : | | |
| - Joint Venture Company | 8,900.00 | 8,900.00 |
| Claims against the Company not acknowledged as debts: [Income Tax / Excise[under disputed Income Tax / Excise matters for various assessment years for which appeals are pending with Appellate authorities.] | 1,798.13 | 1,930.18 |
| Total | 11,259.54 | 11,731.96 |

35 Lease: (Rs. In Lacs)

| Particulars | As at 31 st March 2014 | As at 31 st March 2013 |
|--|--------------------------------------|--------------------------------------|
| Operating Lease | | |
| i. Expenses under cancellable operating lease and rental contracts during the year | Nil | Nil |
| ii. Expenses under non-cancellable operating lease and a rental contract during the year | Nil | 27.00 |
| iii. Maximum financial obligation from long term non-cancellable operating lease and rental contracts as per the respective agreement as follows : | | |
| Not later than one year | Nil | Nil |
| Later than one year not later than five years | Nil | Nil |

36 Calculation of Earning Per Share (EPS)

| Particulars | | 2013-14 | 2012-13 |
|--|-------------|-------------|-------------|
| Profit/(Loss) as per Consolidated Statement of Profit & Loss | Rs. in Lacs | 991.27 | (19952.70) |
| Nominal Value of equity shares | Rs. | 10 | 10 |
| Weighted average number of equity shares - for Basic EPS | Nos. | 1,90,00,053 | 1,90,00,053 |
| Basic EPS | Rs. | 5.22 | (105.01) |
| Diluted EPS | Rs. | 5.22 | (105.01) |

37 Zero Coupon Foreign Currency Convertible Bonds

On January 16, 2013, the Company has made an issue of zero coupon convertible bonds aggregating to USD 15 Million (approximately Rs. 82.17 crores) comprising of 10 (aggregating to US\$ 10,00,000) zero coupon convertible bonds due 2018 ('Series A FCCBs'), 10 (aggregating to US\$ 10,00,000) zero coupon convertible bonds due 2018 ('Series B FCCBs'), 25 (aggregating to US\$ 25,00,000) zero coupon convertible bonds due 2018 ('Series C FCCBs'), 35 (aggregating to US\$ 35,00,000) zero coupon convertible bonds due 2018 ('Series D FCCBs'), 35 (aggregating to US\$ 35,00,000) zero coupon convertible bonds due 2018 ('Series E FCCBs'), 35 (aggregating to US\$ 35,00,000) zero coupon convertible bonds due 2018 ('Series F FCCBs')

- Each fully paid up series A, B, C, D, E and F, (unless previously redeemed or purchased and cancelled) will be converted by the Bondholder at any time on or after February 16, 2013 but prior to close of business on January 18, 2018. Each bond will be converted into fully paid up equity shares of Rs. 10 each at a premium of Rs. 1.92 per share, at a price of Rs. 11.92 per share at a fixed exchange rate conversion of Rs. 54.7773 per US Dollar.

Notes to the Consolidated Financial Statements (Contd...)

- b. Three percent (3%) of the offer price payable on each of the Series A,B, C, D, E and F FCCBs is paid by the holder of bonds on January 16, 2013. The remaining ninety seven percent (97%) of the payment of the offer price on each of the Series A,B, C, D, E and F FCCBs shall be payable on the earlier of the Conversion Date or the due date specified in the table below :

| Series | Exact Due Date | Amount due per Bond (US\$) | No. of bonds falling due | Total Amount (US\$) |
|----------------|--------------------|----------------------------|--------------------------|---------------------|
| Series A FCCBs | September 30, 2013 | 97000 | 10 | 970000 |
| Series B FCCBs | September 30, 2014 | 97000 | 10 | 970000 |
| Series C FCCBs | March 30, 2015 | 97000 | 25 | 2425000 |
| Series D FCCBs | September 30, 2015 | 97000 | 35 | 3395000 |
| Series E FCCBs | September 30, 2016 | 97000 | 35 | 3395000 |
| Series F FCCBs | September 30, 2017 | 97000 | 35 | 3395000 |

- c. Where there is a default by any Series A, B, C, D, E and F FCCB Bondholder, in paying the balance of the issue amount due in respect of such Bonds, the Company has right to convert each partly paid bonds to the extent amount paid up on the relevant Series A, B, C, D, E and F FCCBs i.e, three percent (3%), and the balance ninety seven percent (97%) shall stand cancelled and each respective Series A, B, C, D, E and F FCCB (on which default has been committed) shall each be convertible to fully paid-up Equity Shares of face value of Rs.10 each at a premium of Rs. 1.92 per Equity Share, at a price of Rs.11.92 per share.
- d. Ninety Seven percent (97%) of the three bonds from Series A paid on November 8, 2013. Remaining seven bonds of the Series A stand cancelled due to default of the payment from the subscriber of the bonds.
- e. As per the terms, the company was required to allot equity shares on cancellation of bonds due to default of the payment from the subscriber of the bonds. The company has yet to allot shares for such default of bonds.
- f. The expenses incurred on issue of zero coupon convertibles have been set off against securities premium account.

38. Related Parties

Names of related parties with whom transactions have taken place during the year:

| | |
|--------------------------------------|--|
| Joint Venture (JV) | Lonsen Kiri Chemical Industries Limited |
| Associate Company (AC) | Kiri Infrastructure Private Limited DyStar Global Holdings (Singapore) Pte. Ltd. |
| Wholly Owned Subsidiaries | Kiri International (Mauritius) Pvt. Ltd. SMS Chemicals Co. Ltd. Kiri Investment & Trading Singapore Pvt. Ltd |
| Key Management Personnel (KMPPR) | Mr. Pravin A. Kiri – Chairman Mr. Manish P. Kiri – Managing Director |
| Relative of Key Management Personnel | Mrs. Anupama M. Kiri Mrs. Arunaben P. Kiri Pravin A. Kiri - HUF |

| Disclosure in respect of material transactions with related parties | | (Rs. in Lacs) | |
|---|-------------------------------------|---------------|---------|
| Nature of Transaction | Name of the Related Party | 2013-14 | 2012-13 |
| Purchase of Goods | Lonsen Kiri Chemical Industries Ltd | 169.14 | 59.87 |
| Sales of Goods / Job work Income | Lonsen Kiri Chemical Industries Ltd | 4,082.66 | 716.18 |

Notes to the Consolidated Financial Statements (Contd...)

| | | (Rs. in Lacs) | |
|----------------------------------|--|---------------|----------|
| Nature of Transaction | Name of the Related Party | 2013-14 | 2012-13 |
| Remuneration | Mr. Pravin A. Kiri | 12.00 | 12.00 |
| | Mr. Manish P. Kiri | 16.40 | 12.00 |
| | Mr. Shankar R. Patel | - | 10.00 |
| Investment | Lonsen Kiri Chemical Industries Ltd. | 189.96 | - |
| Advance given | Kiri Infrastructure Pvt. Ltd. | 4.82 | 9.18 |
| | Kiri International (Mauritius) Pvt. Ltd. | 11.22 | - |
| Advance repaid | Kiri Infrastructure Pvt. Ltd. | 111.14 | 10.00 |
| Loan repaid | Mrs. Arunaben P. Kiri | 63.86 | 234.00 |
| | Mr. Pravin A. Kiri | 7.00 | 989.32 |
| | Mr. Manish P. Kiri | 61.71 | 157.14 |
| Loan taken | Pravin A. Kiri – HUF | - | 70.00 |
| | Mrs. Anupama M. Kiri | 33.95 | - |
| | Mrs. Aruna P. Kiri | 251.00 | 253.81 |
| | Mr. Pravin A. Kiri | 968.69 | 1,006.53 |
| | Mr. Manish P. Kiri | 355.80 | 213.59 |
| | Pravin A. Kiri - HUF | 70.00 | 73.02 |
| | Lonsen Kiri Chemical Industries Ltd | 8,900.00 | 8,900.00 |
| Guarantees given | Mrs. Anupama M. Kiri | - | 1,040.00 |
| Share Application Money received | Kiri Peroxide Ltd. | - | 260.00 |
| | Mrs. Anupama M. Kiri | 1,040.00 | - |
| Share Application Money repaid | Kiri Peroxide Ltd. | 260.00 | - |
| | Mrs. Anupama M. Kiri | 33.95 | - |
| Outstanding Balance (Cr) | Mrs. Arunaben P. Kiri | 215.76 | 28.62 |
| | Mr. Manish P. Kiri | 367.17 | 72.68 |
| | Mr. Pravin A. Kiri | 980.19 | 18.50 |
| | Pravin A. Kiri - HUF | 73.02 | 3.02 |
| | SMS Chemicals Co. Ltd. | 1999.98 | 1,999.98 |
| Outstanding Balance (Dr) | Dystar Global Holdings (Singapore) Pte. Ltd. | 93.31 | 93.31 |
| | Kiri Infrastructure Pvt. Ltd. | 349.32 | 455.64 |
| | Lonsen Kiri Chemical Industries Ltd. | 1,321.08 | 615.21 |
| | Kiri International (Mauritius) Pvt. Ltd. | 27.55 | 16.33 |

- As there is no commission paid to any of the directors, the computation of profit u/s 198 and 350 of the Companies Act, 1956 has not been given.
- The company has acquired One share of DyStar Global Holdings Singapore Pte Ltd. at Rs. 46.27 from Kiri International (Mauritius) Pvt. Ltd. Being very negligible sum, the same has not been shown in the above tables.

39 Derivative Instruments and Unhedged Foreign Currency Exposure

a) Derivative Instruments

The company has entered into forward contracts to offset foreign currency risks arising from the amounts denominated in currencies other than the Indian Rupee. The counter parties to such forward contracts are banks.

Consequent to the announcement issued by the Institute of Chartered Accountants of India on Accounting of Derivatives, details of derivatives contracts outstanding as on March 31, 2014 are as under:

(Figures in *Italics* represent figures as at 31-03-2013)

(Amount in Lacs)

| Currency | Exposure to Buy / Sell | No. of Contracts | For the period ended 31 st March, 2013 | |
|-----------------|------------------------|------------------|---|------------------|
| | | | Indian Currency | Foreign Currency |
| US Dollar / INR | Buy | Nil | Nil | Nil |
| | | 1 | 2,392.50 | 50.00 |
| Euro / INR | Buy | Nil | Nil | Nil |
| | | 8 | 1,555.70 | 23.00 |

Notes to the Consolidated Financial Statements (Contd...)

40. Details of the Company's share in Joint Venture included in the Consolidated Financial Statements is as follows (Before inter-company eliminations):

The Company has a 40% interest in the assets, liabilities, income and expenses of the Lonsen Kiri Chemical Industries Ltd., incorporated in India, which is proposed to engage in business of manufacturing various types of Synthetic Organic Dyes. The Company's share of the assets, liabilities, income and expenses of the joint venture is as follows:

(Rs. In Lacs)

| Balance Sheet | As at December 31, 2013 | As at December 31, 2012 | Statement of Profit and Loss | Year ended December 31, 2013 | Year ended December 31, 2012 |
|--------------------------------|-------------------------------|-------------------------------|-------------------------------------|------------------------------------|------------------------------------|
| EQUITY AND LIABILITIES | | | Net Revenue from Operations | 13,970.69 | 4,381.10 |
| SHAREHOLDERS' FUNDS | | | Other Income | 29.66 | 37.51 |
| Share Capital | 5,536.60 | 5,220.00 | Total Revenue | 14,000.35 | 4,418.61 |
| Reserves and Surplus | (1,774.54) | (2,280.27) | Expenses: | | |
| Share Application Money | 288.45 | 478.41 | Cost of Materials Consumed | 11,314.47 | 4,850.39 |
| | 4,050.51 | 3,418.14 | Purchase of Stock-in-Trade | (908.02) | (708.29) |
| NON-CURRENT LIABILITIES | | | Changes in Inventories of | 379.80 | 285.54 |
| Long-term borrowings | 11.17 | 335.67 | Finished goods, Work-in-Progress | | |
| Deferred tax liabilities (Net) | 663.23 | 574.86 | & Stock-in-Trade | | |
| | 674.40 | 910.53 | Finance Cost | 292.90 | 211.22 |
| CURRENT LIABILITIES | | | Depreciation | 307.65 | 278.26 |
| Short-term borrowings | 1,236.83 | 1,307.86 | Other Expenses | | |
| Trade payables | 6,436.01 | 3,368.68 | Administrative Expenses | 408.69 | 133.46 |
| Other current liabilities | 2,458.49 | 1,852.48 | Manufacturing Expenses | 1,452.97 | 629.17 |
| Short-term provisions | 86.17 | 77.40 | Selling & Distribution Expenses | 148.74 | 77.78 |
| | 10,217.50 | 6,606.42 | Prior Period Adjustments | 9.02 | - |
| Total | 14,942.41 | 10,935.09 | Total Expenses | 13,406.22 | 5,757.53 |
| ASSETS | | | Profit before tax | 594.13 | (1,338.92) |
| NON-CURRENT ASSETS | | | Tax Expense | 88.41 | 149.88 |
| Fixed assets | | | Profit / (Loss) for the year | 505.72 | (1,488.80) |
| Tangible assets | 6,090.38 | 5,988.82 | | | |
| Capital work-in-progress | 215.92 | 0.50 | | | |
| | 6306.30 | 5,989.32 | | | |
| Non-current investments | | | | | |
| Long-term loans and advances | 69.59 | 71.72 | | | |
| Other non-current assets | 14.36 | 16.44 | | | |
| | 83.95 | 88.16 | | | |
| CURRENT ASSETS | | | | | |
| Inventories | 4,371.77 | 3,244.69 | | | |
| Trade receivables | 2,573.43 | 625.45 | | | |
| Cash and cash equivalents | 360.39 | 324.28 | | | |
| Short-term loans and advances | 1,192.56 | 633.24 | | | |
| Other current assets | 54.01 | 29.95 | | | |
| | 8,552.16 | 4,857.61 | | | |
| Total | 14,942.41 | 10,935.09 | | | |

Proportionate Contingent Liabilities: Rs. 373.12 Lacs (P.Y. – Rs. 177.84 Lacs)

Proportionate Estimated amount of contracts remaining to be executed on capital account and not provided for: Rs. 356.34 Lacs (P.Y. – Rs. 101.60 Lacs)

Notes to the Consolidated Financial Statements (Contd...)

41. Details of Employee Benefits – Gratuity

The Parent company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with the Life Insurance Corporation of India and SBI Life Insurance Company Limited in the form of a qualifying insurance policy.

1. Defined Benefit Plans: (Rs. in Lacs)

| Particulars | Gratuity | Leave Encashment |
|--|--------------------------------------|--------------------|
| I. Expense recognized during the year | | |
| Current Service Cost | 15.32 | 5.58 |
| Interest Cost | 5.42 | 1.12 |
| Expected return on plan assets | (0.67) | - |
| Net actuarial Losses (Gains) | (21.97) | 14.09 |
| II. Reconciliation of opening and closing balances of defined benefit obligation: | | |
| Defined benefit obligation at beginning of the Year | 65.75 | 13.63 |
| Service Cost | 15.32 | 5.58 |
| Interest Cost | 5.42 | 1.12 |
| Actuarial Losses (Gains) | (22.08) | 14.09 |
| Losses (Gains) on curtailments | - | - |
| Liabilities extinguished on settlements | - | - |
| Benefits paid | - | (19.33) |
| Defined benefit obligation at end of the year. | 64.41 | 15.09 |
| III. Reconciliation of opening and closing balances of fair value of plan assets | | |
| Fair value of plan assets at the beginning of year | 7.74 | - |
| Expected return on plan assets | 0.67 | - |
| Actuarial Gains (Losses) | (0.11) | - |
| Contributions by employer | - | - |
| Benefit paid from fund | - | - |
| Defined benefit obligation at end of the year. | 8.31 | - |
| IV. Reconciliation of the present value of defined benefit obligation and fair value of plan assets | | |
| Present value of defined benefit obligations at the end of the year | 8.31 | (15.09) |
| Fair value of plan assets at the end of the year | (64.41) | - |
| Net assets (liability) at the end of year | (56.10) | (15.09) |
| V. Investment details | Percentage invested as at 31.03.2014 | |
| Life Insurance Corporation of India (LIC) / SBI Life Insurance Company Ltd. (SBI) | 100% | |
| VI. Actuarial Assumptions | | |
| Mortality Table (LIC) | 1994-96 (Ultimate) | 1994-96 (Ultimate) |
| Discount Rate (per annum) | 9.31% | 9.31% |
| Expected Return on plan assets (per annum) | 8.70% | 0.00% |
| Annual Increase in salary costs | 6.00% | 6.00% |

Notes to the Consolidated Financial Statements (Contd...)

2. Defined Contribution plans

Contribution of Defined Contribution Plan, recognized as expense for the year as under:

| Particulars | (Rs. In Lacs) | |
|---|---------------|---------|
| | 2013-14 | 2012-13 |
| Employer's Contribution to Provident Fund | 47.85 | 63.39 |

42. Figures pertaining to subsidiaries company have been reclassified where necessary to bring them in line with the Company's financial statements.

43. Previous year figures have been regrouped or rearranged wherever necessary.

As per our separate report of even date attached herewith.

For V. D. Shukla & Co.,
Chartered Accountants
Firm Registration No. 110240W

Vimal D. Shukla
Proprietor
Membership No. 036416

Place : Ahmedabad
Date : 11th August, 2014

For and on behalf of the Board of Directors of Kiri Industries Limited

Pravin Kiri
Chairman

Manish Kiri
Managing Director

Suresh Gondalia
Company Secretary

Place : Ahmedabad
Date : 11th August, 2014

Statement pursuant to exemption received under Section 212(8) of the Companies Act, 1956 relating to Subsidiary companies.

(Rs. in Lacs)

| Name of Subsidiaries | Reporting Currency | Exchange Rate | Capital | Reserves | Total assets | Total Liabilities | Investment | Turnover | Profit/ (Loss) Before Tax | Provision for Taxation | Profit/ (Loss) After Tax | Proposed Dividend | Country |
|---|--------------------|---------------|---------|----------|--------------|-------------------|------------|----------|---------------------------|------------------------|--------------------------|-------------------|-----------|
| Synthesis International Limited | HKD | 7.74 | 77.40 | (13.93) | 63.47 | 63.47 | - | - | (8.41) | - | (8.41) | - | Hong Kong |
| Kiri Investment and Trading Singapore Private Limited | SGD | 47.73 | 6.40 | (6.40) | 0.00 | 0.00 | - | - | 14.98 | - | 14.98 | - | Singapore |
| Chemhub Trading DMCC | USD | 60.10 | 32.75 | (164.02) | 556.99 | 786.53 | - | 106.02 | (28.72) | - | (28.72) | - | UAE |

NOTES:

The Indian rupee equivalents of the figures given in the foreign currencies in the accounts of the subsidiary companies, have been given based on the the exchange rates as on 31.03.2014

For and on behalf of the Board of Directors of Kiri Industries Limited

Place : Ahmedabad
Date : 11th August, 2014

Pravin Kiri
Chairman

Manish Kiri
Managing Director

Suresh Gondalia
Company Secretary

Attendance Slip / Proxy Form

KIRI INDUSTRIES LIMITED
(CIN - L24231GJ1998PLC034094)

Regd. Office: 7th Floor Hasubhai Chambers, Opp. Town Hall, Ellisbridge, Ahmedabad – 380006.

ATTENDANCE SLIP

PLEASE FILL THE ATTENDANCE SLIP AND HANDED IT OVER AT THE ENTRANCE OF THE MEETING HALL

I /We hereby record my / our presence 16th Annual General Meeting (AGM) of the company to be held on Friday, 26th September, 2014 at 10.30 a.m. at Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad - 380 015.

| DP ID | Client ID | Folio No. | No. of Shares held |
|-------|-----------|-----------|--------------------|
| | | | |

Name of Member / Proxy in Block

Signature of Member / Proxy



KIRI INDUSTRIES LIMITED
(CIN - L24231GJ1998PLC034094)

Regd. Office: 7th Floor Hasubhai Chambers, Opp. Town Hall, Ellisbridge, Ahmedabad – 380006.

PROXY FORM

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the Member (s) : _____
Registered Address : _____
E-mail Id : _____
Folio No. / DPID/Client ID : _____

I/We being the member(s) of _____ shares of Kiri Industries Limited hereby appoint:

- (1) Name : _____
Address : _____
E-mail Id : _____ Signature : _____ or falling him;
- (2) Name : _____
Address : _____
E-mail Id : _____ Signature : _____ or falling him;
- (3) Name : _____
Address : _____
E-mail Id : _____ Signature : _____ or falling him;

As my/our proxy to attend and vote(on a poll) for me/us and on my/our behalf at the 16th Annual General Meeting of the company to be held on Friday, 26th September, 2014 at 10.30 a.m. at Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad - 380 015 and at any adjournment thereof in respect of such resolutions as are indicate below:

[PTO]

Attendance Slip / Proxy Form

Note:

1. Please complete the Folio No./ DP ID-Client ID, name, no. of shares and sign this Attendance Slip and hand it over at the Attendance Verification Counter at the ENTRANCE OF THE MEETING HALL.
2. The Notice of AGM as well as the Annual Report for the year 2013-14 of the Company along with Attendance Slip and Proxy Form are being sent to all the Members whose email address is registered with the Company / Depository Participant. Members receiving electronic copy and attending the AGM can print copy of this Attendance Slip.
3. Physical copy of the Annual Report for the year 2013-14 and Notice of AGM along with Attendance Slip and Proxy Form is sent in the permitted mode(s) to all Members whose email address is not registered or have requested for a hard copy.

| Resolution No. | Particulars of Resolution | Optional (Please mention No. of Shares held) | |
|----------------|--|--|---------|
| | | For | Against |
| | ORDINARY BUSINESS | | |
| 1. | To receive, consider and adopt the Audited Balance Sheet as at 31 st March, 2014 and the Statement of Profit and Loss for the year ended on that date together with the Report of Directors' and Auditors' thereon. | | |
| 2. | To appoint a Director in place of Mr. Pravin Kiri, who retires by rotation and being eligible, offers himself for re-appointment. | | |
| 3. | To appoint Statutory Auditors and fix their remuneration. | | |
| | SPECIAL BUSINESS | | |
| 4. | Appointment of Mr. Keyoor Bakshi as an Independent Director for the period of five consecutive years. – Ordinary Resolution | | |
| 5. | Appointment of Mr. Mukesh Desai as an Independent Director for the period of five consecutive years. - Ordinary Resolution | | |
| 6. | To ratify the remuneration of Cost Auditors of the Company for F.Y.2014-15 - Ordinary Resolution | | |
| 7. | Approval of Borrowing Powers of the Company in compliance of the provisions of Section 180 (1)(c) of the Companies Act, 2013. – Special Resolution | | |
| 8. | Approval of Creation/Modification of charge in compliance of the provisions of Section 180 (1)(a) of the Companies Act, 2013. – Special Resolution | | |
| 9. | Approval of issue of Equity Shares through Employee Stock Option Scheme (ESOP). – Special Resolution | | |
| 10. | Approval of issue, offer and allotment of Equity Shares and Warrants on Preferential basis as per SEBI (ICDR) Guidelines, 2009. – Special Resolution | | |

Signed this _____ day of _____ 2014.

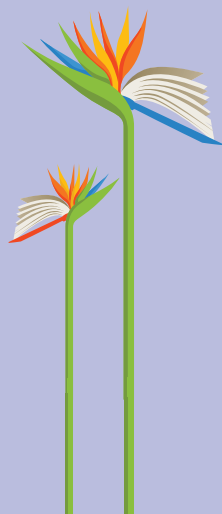
Signature of the Shareholder _____

Signature of first proxy holder(s) _____

Affix
Revenue
Stamp

Notes:

1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
2. For the Resolutions, Explanatory Statement and Notes, please refer to the Notice of the 16th Annual General Meeting.
3. It is optional to put a 'X' in the appropriate column against the Resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all Resolutions, your proxy will be entitled to vote in the manner as he / she deem appropriate.
4. Please complete all details including details of member (s) in the above box before submission.



If undelivered, please return to:



Kiri Industries Limited

Future Full of Colours.....

(CIN : L24231GJ1998PLC034094)

Registered Office

7th Floor, Hasubhai Chambers, Opp. Town Hall,
Ellisbridge, Ahmedabad – 380 006