

**Schedules forming part of the Accounts (Contd.)**

	For the year ended 31st March 2006 Rs.	For the year ended 31st March 2005 Rs
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19. NOTES TO ACCOUNTS

1. Term Loan is to be secured by first charge on all the immovable and movable fixed assets, both present and future, of the Nasik and Sikandrabad plants.

2. Cash Credit and Working Capital Demand Loans from banks are secured by pari-passu hypothecation of the Company's entire stock of raw materials, finished goods, stocks in process, consumable stores and spare parts and book debts and in case of State Bank of India are also secured by charge on fixed assets at Howrah Plant of the Company

3. Liabilities in Schedule 11 include Rs. 295.66 Lacs (Previous Year Rs. 343.99 Lacs) outstanding in respect of facilities granted to the Company by Small Industries Development Bank of India (SIDBI) as well as interest accrued but not due thereon. Facilities are secured upto a limit of Rs. 300 Lacs by a second charge on the immovable property of Nasik in the state of Maharashtra and by first charge by way of hypothecation of entire movable assets (save and except book debts) of the Company, subject to prior charges, created and/or to be created, in favour of the Company's Bankers for securing the borrowings for working capital requirements. The charges ranking pari-passu between the Financial Institutions.

4. Auto Loans are secured by hypothecation of the vehicles financed out of such loans.

5. Contingent Liabilities

Contingent Liabilities not provided for in respect of:

Excise Duty

Income Tax

Bank Guarantees

Sales Tax

1,50,000	1,50,000
16,80,000	68,37,385
1,34,94,867	1,06,82,061
1,25,93,000	1,09,16,000

Claims against the Company not acknowledged as debt (to the extent ascertained)

51,68,997	51,68,997
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6. Estimated amount of capital commitments, net of advance of Rs 16,71,338 (previous year Rs. 35,61,000)

Nil	58,47,000
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7. Auditors' Remuneration

As Auditors

In other capacity

Reimbursement of expenses

1,80,000	1,80,000
1,03,000	1,73,871
24,074	<u>16,610</u>
3,07,074	<u>3,70,481</u>

8. Consumption of Stores

90,29,386	1,12,69,492
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9. CIF value of imports

Raw materials

Capital Goods

11,94,03,263	5,40,50,546
Nil	Nil

**Schedules forming part of the Accounts (Contd.)**

	For the year ended 31st March 2006 Rs.		For the year ended 31st March 2005 Rs.	
10. Expenditure in foreign currency				
Travelling		3,02,550		Nil
Purchase of raw material		7,74,34,442		7,41,83,841
Technical collaboration fees		30,34,126		Nil
11. Amounts remitted in foreign currency on account of Dividend.		29,50,785		23,60,628
i. number of Non –resident shareholders		1		1
ii. Number of share held by them		1180314		180314
iii. Amount of Dividend remitted		Rs.2950785		2360628
iv. Year to which dividend relate		2004-05		2003-04
12. Managerial remuneration				
Directors' Fees		2,05,000		1,40,000
Wholetime Director's remuneration:				
Salaries		4,20,000		
Contribution to Provident Fund		50,400		4,70,400
		4,70,400		4,70,400
13. Turnover				
	For the year ended 31st March 2006		For the year ended 31st March 2005	
	Quantity	Value	Quantity	Value
	KL	Rs.	KL	Rs.
Class of Goods	32252	2,48,29,93,410	30094	2,17,91,87,674
Paint (finished)	(38702 MT)		(36113 MT)	
14. Opening and Closing Stocks				
	Opening stocks as at 1st April, 2005		Closing stocks as at 31st March, 2006	
	Quantity	Value	Quantity	Value
	KL	Rs.	KL	Rs.
Paint (finished)	4988	29,15,68,664	4942	28,39,81,038
	(5986 MT)		(5930 MT)	
Previous year Paint (finished)	4105	21,81,13,752	4988	29,15,68,664
	(4926 MT)		(5986 MT)	



Schedules forming part of the Accounts (Contd.)

15. Capacity and Production

	Installed capacity as at 31st March 2006	Actual Production During the year ended 31st March 2006 (Packed for sale)	Previous Year
Paint, enamels & varnishes N.C. Lacquers & ancillary items (Packed for sale)	43,000 Tonnes	36187 Tonnes	34598 Tonnes
Synthetic Resin (mainly for captive consumption)	7,672 Tonnes	2,612Tonnes	3,153 Tonnes

	For the year ended 31 st March 2006		For the year ended 31 st March 2005	
	Quantity KL	Value Rs.	Quantity KL	Value Rs.
16. Purchase (Bought-in-items)	2050	6,52,52,984	2145	6,43,91,011

17. Consumption of imported and indigenous raw materials (excluding spare parts and components).

	For the year ended 31 st March 2006		For the year ended 31 st March, 2005	
	%	Rs.	%	Rs.
Imported Raw Materials	9.35	12,29,30,462	7.51	8,94,18,247
Indigenous Raw Materials	90.65	1,19,12,12,011	92.49	1,10,08,38,427

18. Important basic raw materials and packing materials consumed.

	For the year ended 31 st March 2006		For the year ended 31 st March, 2005	
	Quantity	Value Rs.	Quantity	Value Rs.
Organic acid/chemicals	37,52,733 Kgs	21,68,00,960	36,37,065 Kgs	21,85,83,602
Pigments	21,57,278 Kgs	16,38,62,772	20,55,702 Kgs	14,48,47,706
Solvents & Oils	1,16,92,778 Lts	37,92,42,686	1,10,68,600 Lts	34,60,66,355
Packages and Packing Materials	1,03,67,560 Nos	15,72,09,996	1,12,98,230 Nos	14,54,01,148
Others*		<u>39,70,26,059</u>		<u>33,53,57,863</u>
		<u>1,31,41,42,473</u>		<u>1,19,02,56,674</u>

* Includes individual items of less than 10% of the total and therefore, not considered for the above classification.



Schedules forming part of the Accounts (Contd.)

19. The small-scale industrial undertakings to whom the Company owes any sums which is outstanding for more than 30 days are M/s.V. K. Oils Ltd., M/s. Durga Oil Industries, M/s. Cross Point Chemical Industries, M/s. J. G. Chemicals, M/s. Ganga Rasayanie P. Ltd., M/s. Kali Pigments P. Ltd., M/s. Raveshia Pigments Ltd., M/s. Sunrise Chemicals, M/s. Mascot Industries, M/s. Jalan Hi-Mech Ltd., M/s. IM Packaging, M/s. Calcutta Containers, M/s. Indian Tin Box Mfg. Co. P. Ltd., M/s. Pearson Containers Co., M/s. Bijoya Drums Pvt. Ltd., M/s. United Packers, M/s. Atlas Tin Box, M/s. Damani Packaging Pvt. Ltd., M/s. Dhiraj Intermediates P. Ltd., M/s. Overseas Industrial Corporation, M/s. Enbee Enterprise, M/s. Techcon Indian (P) Ltd., M/s. Bengal Poly Resins Pvt. Ltd., M/s. Pearson Drums Pvt. Ltd., M/s. Kapilash Udyog, and M/s. Aurum Pharma Chem Pvt. Ltd.
20. The Company has adopted Accounting Standard 22 (AS 22) “Accounting for Taxes on Income” and accordingly the net deferred tax asset amounting to Rs. 13,64,043 pertaining to the current year has been recognised.

The break up of deferred tax assets and deferred tax liabilities is as given below: (Rs. in Lacs)

	Opening As at 01/04/2005	Charge /(Credit) During the year	Closing As at 31/03/2006
Deferred Tax Assets			
Expenses allowable on payment basis	21.08	(1.89)	22.97
Deferred expenditure	5.56	5.56	0.00
	26.64	3.67	22.97
Deferred Tax Liabilities			
Depreciation and related items	(204.28)	17.32	(186.96)
Net Deferred Tax Liabilities	177.64	13.65	163.99

21. Future minimum lease rentals payable as at 31.03.2006 as per the lease agreements :

	(Rs. in lacs)	
	2005-2006	2004-2005
i) Not later than one year	89.96	79.94
ii) Later than one year and not later than five years	98.58	89.90
iii) Later than five years	0.00	0.00
	188.54	169.84

22. Related party disclosure in accordance with the Accounting Standard 18 “Related Party Disclosures” issued by the Institute of Chartered Accountants of India.

Key Management Personnel:

- | | | |
|------|-------------------|-------------------|
| i. | R.Jindal | Director |
| ii. | G.Jhunhnuwala | Director |
| iii. | R.Garg | Director |
| iv. | A.V.Lodha | Director |
| v. | Dr. R. Srinivasan | Director |
| vi. | S.L.Agarwal | Managing Director |

**Schedules forming part of the Accounts (Contd.)**

Name of the related parties with whom the transactions have been made	Description of relationship with the party	Nature of Transaction	Amount 2005-2006 (Rs. in Lac)	Amount outstanding as on 31st March 2006 (Rs. in Lac)
i. S.L.Agarwal	Managing Director	Remuneration	Refer Note 11 of Schedule 19	- -

23. The Company has only one business segment i.e. Paints.

24. Finance charges, under Miscellaneous Expenses, include foreign exchange loss of Rs. 4,03,244 (previous year Rs. 4,38,605).

25. ACCOUNTING POLICIES**25.1 GENERAL**

The financial statements have been prepared on accrual basis, except otherwise stated, and under the historical cost convention except revalued fixed assets in accordance with the applicable accounting standards specified by the Institute of Chartered Accountants of India and relevant provisions of Companies Act, 1956.

25.2 FIXED ASSETS

Fixed Assets are stated at cost, net of cenvat. The cost comprises the purchase price and any other attributable cost of bringing the assets to its working conditions for its intended use.

In case of revaluation of Fixed Assets, the cost/book value as written up by the approved valuer is considered in the books of accounts and the differential amount is transferred to Fixed Asset Revaluation Reserve.

25.3 LEASE ACCOUNTING

The Company provides tinting systems to dealers on an operating lease basis. Lease rentals are accounted on accrual basis over the lease period in accordance with the respective lease agreements

25.4 DEPRECIATION

Depreciation on fixed assets is provided at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956 and in respect of assets added/disposed off during the year on pro-rata basis with reference to the date of its use/disposal:

- a) In respect of assets located at Howrah Plant - on written down value method.
- b) In respect of assets located at Nasik and Sikandrabad Plant - on straight-line method.

Depreciation on amount added on revaluation is recouped from Fixed Assets Revaluation Reserve.

25.5 INVESTMENTS

Investments, being long term in nature are stated at cost, less any diminution in value other than temporary.

25.6 FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are accounted for at the equivalent rupee value incurred/earned. Foreign currency assets and liabilities at the year-end are realigned at the applicable exchange rate and variations are adjusted to the revenue or capital heads.



Schedules forming part of the Accounts (*Contd.*)

25.7 INVENTORY

- a) Raw materials including materials in transit, stores & spare parts and loose tools are valued at cost.
- b) Work-in-process are valued at cost. The finished goods are valued at lower of cost or net realisable value.
- c) The cost which is arrived at following weighted average basis, comprises all direct costs including taxes and duties net of cenvat credits, transportation and other costs incurred in bringing the inventories to the present location and conditions.
- d) The obsolete/damaged items of inventories are valued at estimated realisable value.

25.8 SALES

Sales are inclusive of excise duty and net of sales tax and returns.

25.9 RETIREMENT BENEFITS

Retirement Benefits to employees are accounted for on accrual basis. Liability for pension is accounted for as and when it accrues on retirement.

25.10 BORROWING COST

Borrowing Costs attributable to acquisition and construction of assets are capitalized as part of the cost of such asset upto the date when such asset is ready for its intended use. Other borrowing costs are charged to Profit and Loss Account.

25.11 TAXES ON INCOME

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets are recognized and carried forward to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

25.12 DEFERRED REVENUE EXPENDITURE

- i. Payments made under the Voluntary Retirement Scheme (VRS) including gratuity arising pursuant to the VRS are amortised over a period of five years commencing from the year in which it is incurred.
- ii. Other Deferred Revenue Expenditures are being amortised over a period of seven years starting from the year in which they are incurred.

26. CONTINGENT LIABILITIES

Liabilities which are material in the opinion of the Company and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent and disclosed by way of notes to the Accounts.

27. There are some net balances, debit and credit, which are pending for reconciliation and confirmation, the impact of the same, if any, not ascertained.

28. Previous year's figures have been rearranged, where necessary.

29. Financial figures have been rounded off to nearest rupee.



Schedules forming part of the Accounts (*Contd.*)

Signature to Schedule 1 to 19

For CHATURVEDI & PARTNERS
Chartered Accountants

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A.K. DUBEY
Partner

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Mumbai
30th June'2006

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