

<b>BOARD OF DIRECTORS</b>	P. KRISHNAMURTHY ASHOK J. PATEL PETER C. WALLACE KEVIN J. BROWN DR. S. SIVARAM DARIUS C. SHROFF TARAK A. PATEL CHRISTOPHER M. HIX	Chairman Managing Director Director Director Director Director Executive Director Alternate to Kevin J. Brown
<b>CHIEF OPERATING OFFICER</b>	ASHOK C. PILLAI	
<b>FINANCIAL CONTROLLER</b>	AMAR NATH MOHANTY	
<b>COMPANY SECRETARY</b>	VAIBHAV S. BAKHARE	
<b>STATUTORY AUDITORS</b>	KALYANIWALLA & MISTRY, CHARTERED ACCOUNTANTS, MUMBAI.	
<b>INTERNAL AUDITORS</b>	DELOITTE HASKINS & SELLS, CHARTERED ACCOUNTANTS	
<b>SOLICITORS</b>	VIGIL JURIS	
<b>BANKERS</b>	STATE BANK OF INDIA	
<b>REGISTERED OFFICE</b>	VITHAL UDYOGNAGAR, ANAND - SOJITRA ROAD KARAMSAD – 388 325, GUJARAT	Phone : 02692 - 661700 Fax : 02692 - 661888
<b>REGISTRAR AND TRANSFER AGENT</b>	LINK INTIME INDIA PVT. LTD. C-13, PANNALAL SILK MILLS COMPOUND, L. B. S. MARG, BHANDUP (WEST), MUMBAI - 400 078.	Phone : 022 - 25946970 Fax : 022 - 25946969

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## GMM PFAUDLER LIMITED

Annual Report 2009 - 2010

### NOTICE:

NOTICE is hereby given that the Forty-Seventh Annual General Meeting of GMM Pfaudler Limited will be held on Wednesday, 29th day of September, 2010 at 10.00 a.m. at Sardar Vallabhbai Patel and Veer Vithalbai Patel Memorial, Anand-Sojitra Road, Karamsad - 388 325, Gujarat to transact the following businesses:

#### ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at March 31, 2010 and Profit & Loss Account for the year ended March 31, 2010 together with the reports of the Board of Directors and the Auditors thereon.
2. To confirm the payment of four interim dividends paid during the year ended March 31, 2010.
3. To appoint a Director in place of Mr. P. Krishnamurthy, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. D. C. Shroff, who retires by rotation and being eligible offers himself for re-appointment.
5. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

**"RESOLVED THAT** M/s. Kalyaniwalla & Mistry, Chartered Accountants, Mumbai, ("the retiring Auditors") be and are hereby re-appointed as the Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and they may be paid such remuneration as may be mutually agreed between the Board of Directors and the Auditors including reimbursement of out of pocket and traveling expenses subject to service tax as may be applicable".

#### Special Business

6. **To consider and if thought fit, to pass with or without modification in the following resolution as an SPECIAL RESOLUTION**

**"RESOLVED THAT** pursuant to the provisions contained in section 198, 269, 310, 313, 349 and 350 read with schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 and subject to the necessary approvals from the Central Government, for which the Company has already made application, consent of the members of the Company be and is hereby accorded for increasing the remuneration of Mr. Ashok J. Patel, Managing Director to a maximum of ₹ 12,000,000 ( Rupees twelve million only) per annum, consisting of Salary of ₹ 6.912 million, Perquisites and Retiral benefits of ₹ 2.088 million and Commission of ₹ 3.000 million wef January 01, 2010"

**"RESOLVED FURTHER THAT** the aforesaid remuneration payable to Mr. Ashok J. Patel, Managing Director together with the remuneration payable to the Executive Director is subject to the overall limit of 10% of the profits of the Company and the permission from the Central Government, if applicable in accordance with the section 198 and section 309 of the Companies Act, 1956, in case the individual limits exceeds 5% of the net profits of the Company."

**"RESOLVED FURTHER THAT,** within the above overall limit of ₹ 12,000,000 (Rupees twelve million only) and subject to approval of the Central Government, if any, remuneration payable to the Managing Director will be as decided by the Board of Directors from time to time."

**By Order of the Board of Director  
For GMM Pfaudler Limited**

**Vaibhav S. Bakhare  
Company Secretary**

Mumbai, July 27, 2010

Registered Office:  
Vithal Udyognagar  
Anand – Sojitra Road,  
Karamsad - 388 325, Gujarat.

## NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE ANNUAL GENERAL MEETING.
2. The Register of Members and Share Transfer Books of the Company will be closed from Thursday, September 23, 2010 to Wednesday, September 29, 2010 (both days inclusive) for the purpose of ensuing Annual General Meeting of the Company for annual closure as per the Listing Agreements.
3. Members desiring any information on the accounts at the Annual General Meeting are requested to write to the Company at least seven days in advance, so as to enable the Company to keep the information ready at the Meeting.
4. As required under Clause 49 of the Listing Agreement with the Bombay Stock Limited, the details of Directors appointed during the year and proposed to be re- appointed at the ensuing Annual General Meeting are provided in the Corporate Governance Report forming part of the Annual Report.
5. Pursuant to the provisions of Section 205A and 205C of the Companies Act, 1956, amounts of dividend remaining unclaimed for a period of 7 years from the date of its transfer to the Unpaid Dividend Account of the Company are to be transferred to the Investor Education and Protection Fund (IEPF) set up by the Government of India and no payments shall be made in respect of any such claims to any shareholder from the Fund.

The details of dividend declared/paid from the year upto 2002-03 proposed to be transferred to IEPF are given below:

Date of declaration	Dividend for the year	Dividend ₹ per share	Due date of the proposed transfer to IEPF
25.09.2003	Final Dividend (2002-03)	₹ 2.50	31.10.2010
29.01.2004	Interim Dividend (2003-04)	₹ 5.00	05.03.2011
31.05.2004	2nd Interim Dividend (2003-04)	₹ 2.50	06.07.2011

Members, who have not encashed the Dividend Warrants for the year 2002-03 and/or any subsequent year(s) are requested to write to the Company for revalidation of Dividend Warrants before transfer by the Company of unclaimed amounts to the Investor Education and Protection Fund.

6. Members are requested to notify immediately any change in their address and/or the Bank Mandate details to the Company's Registrars and Share Transfer Agents (RTA) for shares held in physical form and to their respective Depository Participants for shares held in electronic form.
7. Listing fees to the Bombay Stock Exchange Limited has been paid upto March 31, 2011.
8. Payment of dividend through National Electronic Clearing Service (NECS):

As per current SEBI Regulations, dividend is required to be credited to shareholders Bank Account through National Electronic Clearing Service (NECS) wherever the facility is available and the requisite details/mandate have been provided by the Shareholders. Shareholders desirous of availing of this facility may send the ECS form (available on the website of the Company), along with a Xerox copy of the cheque pertaining to the bank account where the shareholders like the payment to be credited to their Depository Participants (in case of shares held in dematerialized form) or to the RTA (in case of shares held in physical form) at the following address:

Link Intime India Private Limited (Unit: GMM Pfaudler Limited) C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (West), Mumbai – 400 078 Phone: 022-25946970, Fax: 2594 6969, email: rnt.helpdesk@linkintime.co.in Kind Attn: Mr. N. Mahadevan Iyer / Mr. Sharad Patkar.

9. Nomination of Shares:

Every individual shareholder of the Company may at any time, nominate in the prescribed manner a person to whom his/her shares shall vest in the event of death. The Nomination Form is available with the RTA. In case shares are held in joint names, all the joint

holders may together nominate, in the prescribed manner, a person to whom all the rights in the shares of the Company shall vest in the event of death of all the joint holders.

10. Matters relating to Transfer / Transmission / Dematerialization of Shares:

Members are requested to correspond with RTA of the Company, Link Intime India Private Limited, at the address mentioned earlier in this Annual Report for the matters relating to transfers, transmission, dematerializations, nomination of shares and other shareholding matters.

11. Auditor's appointment requires Special Resolution:

As per Article 160 of the Articles of Association of the Company, Members will be required to appoint the Auditors by a Special Resolution at the Annual General Meeting for the current financial year.

12. Disclosure in terms of Clause 49(IV)(E)(V) of the Listing Agreement with the BSE:

None of Directors seeking appointment / re-appointment at this Annual General Meeting have any shareholding (own or held by/for other persons on a beneficial basis), in the Company.

**Explanatory statement pursuant to Section 173 of the Companies Act, 1956.**

**ITEM NO.6:**

At the Extra Ordinary General Meeting dated March 11, 2008 the shareholders have approved the appointment of Mr. Ashok J. Patel as the managing Director of the Company for a period of Five years effective January 2007.

The Board of Directors at its meeting held on January 25, 2010, also upon recommendation of Remuneration Committee in its meeting held of January 22, 2010 have approved the increase in remuneration of Mr. Ashok J. Patel subject to the approval of the shareholders and approval of Central Government, if applicable. The remuneration payable to Mr. Patel is set out in the Resolution at item No. 6 of the Notice.

The information required to be furnished under the code of Corporate Governance is given hereunder.

Mr. Ashok J. Patel is the Managing Director of GMM Pfaudler Limited. Mr. Patel was elected to the Board of Directors of the Company in 1980 and became Managing Director of the Company in 1987.

Mr. Ashok J. Patel, 65 years of age, has a degree in Mechanical Engineering from University of Manchester, Institute of Science and Technology, U.K (now University of Manchester) and a Masters Degree in Business Administration from Columbia Business School of Columbia University, New York, U.S.A. He has over 40 years experience in the capital goods Industry.

During his tenure of 23 years with the Company, Mr. Patel has been in charge of the entire operations and business and strategic development activities of the Company. He was instrumental in bringing Pfaudler Inc. of USA, world leader in glassline technology, as a joint venture partner in 1987. Mr. Patel also signed technology license agreements with several leading US and European companies for products and technologies that has today made GMM the leader in the chemical and pharmaceutical equipment industry in India.

During Mr. Patel's tenure the Company's total income have increased from ₹ 104.5 Million in 1987 to ₹ 150.2 Million in 2009 and the profit after tax has increased from ₹ 4.5 Million in 1987 to ₹ 102.3 Million in 2008-09. From nil exports in 1987, the Company's exports had reached to a level of ₹ 226 Million in 2007-08 and over the last several years have averaged ₹ 122 Million per year. The Company has consistently paid dividend from 1975 to date and has an unmatched record of paying dividends for the past 19 consecutive quarters. Mr. Patel's international background has helped GMM establish itself as a reliable supplier of highly engineered goods to the pharmaceutical and chemical industries in countries such as USA, Europe, Middle East, China, Japan, Singapore and South Africa. From a manufacturer of only glasslined chemical equipment GMM today is the leader in Filtration, Drying, Mixing System and Temperature Control Systems used by the pharma and chemical processing industries.

Mr. Patel's effort to make GMM a truly global company was the acquisition of Mavag AG in Switzerland in January 2008. Over the last two years Mr. Ashok Patel has successfully integrated Mavag and GMM. He puts in considerable amount of efforts and time at Mavag AG in Switzerland, managing its operations and making it to grow its business, transfer Swiss technology to GMM and develop GMM to be a reliable supplier to Mavag.

The Remuneration Committee of the Company commissioned an international remuneration consulting company, Hewitt Associates, to benchmark the salaries of senior management of the Company and has arrived at the proposed remuneration of Mr. Ashok J. Patel considering the above factors.

In view of his dual responsibility of managing both GMM & Mavag AG, Switzerland that Mr. Patel does not draw any remuneration from Mavag AG, considering the challenges that lie ahead for the growth of the company and keeping in mind the current trends in managerial remuneration, the Board of Directors, has decided that the remuneration of the Company's Managing Director should be at the Median level as shown in the Hewitt Report, up to maximum of ₹ 12,000,000. In the opinion of the Board of Directors this remuneration is justified and well within the industry norms. The Remuneration Committee and the Board of Directors also have approved that the Managing Director be paid an increased total remuneration of ₹ 10, 000,000 (Rupees ten million only) for the year ended March 31, 2010 by way of Salary, Perquisites & Retiral benefits and Commission subject to the approval of the Central Government, if applicable, in the event MD's remuneration based on 5% of net profit is below ₹ 10, 000,000 (Rupees ten million only).

Before joining the Company as the Managing Director, Mr. Ashok J. Patel served as a Managing Director with Millars India Limited (now Skyline Millars Limited) for a period of 15 years from 1972 till 1987.

He is the Chairman/Director of the following other Public Limited companies and Chairman/ Member of the following other Board Committees as on the date of this March 31, 2010.

<b>Name of the Company</b>	<b>Designation</b>	<b>Chairmanship or Membership of Board Committees</b>
Karamsad Investments Limited	Director	Nil
Karamsad Holdings Limited	Director	Nil
Skyline Millars Limited	Director	Nil
Ready Mix Concrete Limited	Director	Nil

Mr. Ashok J. Patel holds 4,98,120 Equity Shares of ₹ 2/- each in the Company.

Mr. Ashok J. Patel and Mr.Tarak A. Patel are interested in the above resolution and no other Directors are concerned or interested in the above resolution. The Board recommends this resolution for the approval of the Members".

## REPORT OF THE DIRECTORS

### To the Members:

The Directors have pleasure in presenting their Forty-Seventh Annual Report and the Audited Statement of Accounts of the Company for the year ended March 31, 2010.

### FINANCIAL RESULTS:

	(₹ in '000')	
	Year ended 31.03.10	Year ended 31.03.09
<b>Sales and Other Income</b>	<b>1,571,806</b>	1,502,033
<b>Profit before Tax</b>	<b>167,253</b>	157,522
<b>Profit after tax</b>	<b>110,576</b>	102,274
Surplus brought forward	538,837	494,675
<b>Amount available for appropriation</b>	<b>649,413</b>	596,949
<b>APPROPRIATIONS:</b>		
<b>Interim Dividend</b>	<b>40,929</b>	40,929
<b>Tax on distributed profit</b>	<b>6,956</b>	6,596
	<b>47,885</b>	47,885
Transfer to General Reserve	11,058	10,227
Surplus Carried Forward to Profit & Loss Account	590,470	538,837
	<b>649,413</b>	596,949
Per share data (₹):		
Face value of Equity Share	2.00	2.00
Dividend per share	2.80	2.80
Market Price of Shares:		
High	124.00	114.0
Low	40.50	35.55
Close on March 31	93.95	41.25
Earnings per share	7.56	7.00

### FINANCIAL REVIEW:

Sales and Other Income for the year at ₹ 1,571.81 million reflected an increase of 4.6% over the previous year. Profit before tax increased by 6.2% to ₹ 167.25 million from ₹ 157.52 million in the previous year. Profit after tax increased by 8.1% to ₹ 110.58 million over the previous year's profit of ₹ 102.27 million. As a result, the earnings per share for the year increased to ₹ 7.56 as compared to ₹ 7.00 in the previous year. Effect of economic slow down inflation in the first half of the year had on adverse impact on the sales growth and profitability of the Company. However, second half of the year showed reasonable improvement both in sales and profitability. Decrease in the cost of basic raw material like Mild Steel and Stainless Steel Plates in the second half of the year had favourable impact on the profitability.

### DIVIDEND:

The Board of Directors have approved the payment of four interim dividends of Re. 0.70 per share, aggregating to ₹ 2.80

per share at their meetings held on April 27, 2009, July 28, 2009, October 15, 2009 and on January 25, 2010. The total dividend distributed for the year of ₹ 40.93 million was equal to that of the previous year.

The Directors propose that the interim dividends paid so far be considered as the final dividend for the year under review.

### FIXED DEPOSITS:

The Company has not accepted any Fixed Deposits from the public since 1999-2000. Unclaimed Fixed Deposits including interest as on March 31, 2010 was ₹ 6,284. An amount of ₹ 16,349 was transferred to the "Investors Education and Provident Fund" account during the year.

### INVESTMENTS:

The Company had, in the year 2008, acquired Mavag AG of Switzerland, a leading supplier of highly engineered critical equipment for the pharmaceutical, bio engineering and fine chemicals industries. Both the Company and Mavag have progressed well in transfer of Mavag technology to the Company and sourcing of low cost components by Mavag from the Company. Mavag's performance during the year was impacted due to the economic slow down in Europe, Mavag's main market and the depreciation of Euro against the Swiss Franc. Mavag AG reported a loss of ₹ 13.13 million (CHF 292,332) for the year as against a profit of ₹ 12.91 million (CHF 284,117) in the previous year. The Board of Directors expects the European slowdown to continue during the current year with some improvement commencing in the second half of 2011.

The dispute regarding the registration of transfer of shares with Nile Limited has been settled and Nile Ltd has transferred all the shares in the name of the Company (and its subsidiaries). These shares in Nile Limited will be disinvested by the Company and its subsidiaries within a period of 36 months other than through 'block deals'. During the year the Company and its subsidiaries has sold 30,272 shares.

The Company's current investment in mutual funds stood at a book value of ₹ 46.67 million as at end of March 31, 2010. There were diminution of ₹ 0.44 million in the market value of these investments which has been provided for in the accounts during the year.

The Company has investments in equity shares of Skyline Millars Limited (formerly Millars India Limited) which are long-term investments and strategic in nature.

### CONSERVATION OF ENERGY:

The particulars required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is attached as Annexure "A" forming part of this Report.



**FOREIGN EXCHANGE:**

Information on foreign exchange earnings and expenses are provided in Notes 18 to 21 of Schedule 16, 'Notes Forming Part of Accounts'.

**SUBSIDIARY COMPANIES:**

The Company has four wholly owned subsidiary companies namely; Karamsad Holdings Limited, Karamsad Investments Limited, GMM Mavag AG and Mavag AG. The consolidated financial statements presented by the Company include financial information of its Subsidiaries prepared in compliance with applicable Accounting Standards.

The Ministry of Corporate Affairs, Government of India has granted exemption under section 212(8) of the Companies Act, 1956 from attaching the Balance Sheet, Profit & Loss Account and other documents of the Subsidiary Companies to the Balance Sheet of the Company. However the annual audited accounts of these subsidiaries will be made available for inspection to the members of the Company, upon request, at the registered office of the Company.

Summary of financial information of Subsidiary Companies are covered in this Annual Report.

**PARTICULARS OF EMPLOYEES:**

Pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 ("the Act") read with The Companies (Particulars of Employees) Rules, 1975, the name and other particulars of the employees are required to be set out in the Annexure to the Directors' Report. However, as per provisions of Section 219(1) (b)(iv) of the Act, the information relating to employees is not included in the Reports and Accounts sent to shareholders of the Company. Any shareholder interested in obtaining such particulars may write to Secretary of the Company at the Registered Office address.

**DIRECTORS:**

Mr. P. Krishnamurthy and Mr. Darius Shroff will be retiring at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

The background of the Directors appointed during the year and proposed to be re-appointed at the ensuing Annual General Meeting are incorporated in the Corporate Governance Report forming part of this Directors' Report.

**DIRECTORS RESPONSIBILITY STATEMENT:**

To the best of their knowledge and belief, and according to the information and explanations provided to them, the Directors make the following statement pursuant to Section 217(2AA) of the Companies Act, 1956:

1. that in the preparation of the annual accounts for the year ended March 31, 2010, the applicable accounting standards have been followed along with proper explanations in case of material departures;
2. that such accounting policies as mentioned in Schedule 17 of the Annual Accounts have been applied consistently and judgments and estimates that are made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the said financial year ended March 31, 2010 and of the Profit & Loss Account of the Company for that period;
3. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. those annual accounts for the year ended March 31, 2010 have been prepared on a 'going concern' basis.

**MANAGEMENT DISCUSSION & ANALYSIS REPORT:**

Management's Discussion & Analysis Report is attached and forms part of this Director's Report.

**CORPORATE GOVERNANCE:**

As per Clause 49 of the Listing Agreement with 'The Bombay Stock Exchange Limited', a Report on Corporate Governance together with a Certificate from the Company's Auditors are presented separately and forms part of this Report.

**AUDITORS:**

M/s. Kalyaniwalla & Mistry, Chartered Accounts, retiring as the Statutory Auditors of the Company at the conclusion of ensuing Annual General Meeting and offer themselves for re-appointment. The requisite certificate has been received from them to the effect that their reappointment as Statutory Auditors, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

For and on behalf of the Board of Directors

**P. KRISHNAMURTHY**  
CHAIRMAN

**ASHOK J. PATEL**  
MANAGING DIRECTOR

Mumbai, July 27, 2010

## ANNEXURE 'A' TO DIRECTOR'S REPORT

### 1. Conservation of Energy:

- a) The Company consistently pursues various avenues to conserve energy used in the factory in various forms like electricity, natural gas and other gases. Energy Audits are carried out at interval of three years with the help of Electrical Research & Development Association of Gujarat (ERDA) to ascertain area of energy conservations.
- b) The company keeps its focus on conserving the electricity consumed in electric furnaces in Enameling Plant which accounts for most of the electrical energy consumed in the factory. Performance of these furnaces is strictly monitored to ensure optimal batching in order to economize consumption of electricity.
- c) Installation of Inverter based welding machines in place of Coil rectifiers and Variable Frequency Drive (VFD) replacing contactor type drive on over-head cranes have also resulted in energy savings.
- d) The Company has generated about 2 Million KWH of electrical energy (RES) through its 9 installed wind mills.
- e) As part of its continued efforts to reduce cost of energy, the Company has plans to install a second Natural Gas Radiant Tube Furnace in its Enameling Plant.

### 2. Research & Development:

The Company has a R&D centre which is approved by the Department of Science & Technology of the Government of India. The Company carries out continuously R&D in several areas in the process of manufacturing glass lined vessels and improving the quality of its product employing new and advanced technology. The ability to leverage the Research and Development (R&D) expertise and knowledge of Pfaudler Group, has helped your company to innovate and renovate, manufacture high quality safe products and achieve more efficient operations.

Areas where specific R&D was successfully carried out during the year are as follows.

- a) The company has executed WFE with ASME 'U-Stamp' for first time for overseas market.

- b) The company has developed and manufactured Glass Lined Tanks with AD2000 Merkblatt design, CE Marked under PED for export for the first time.
- c) The company has developed and manufactured Glass-lined Agitator with HE-3 blade to increase mixing efficiency.
- d) The company has developed 6KL GLRV with 75HP motor capable to mix fluid with high viscosity.
- e) The company has developed new quick-change design for agitator drive which eliminates spacer spool concept. The company has also developed low cost, compact drive for 1" & 2" diameter shafts.
- f) The company has adopted the design of its Swiss subsidiary Mavag, for the Agitated Nutsche Filters/ Dryers to improve the overall quality of the products and provide a competitive edge in the market place.

### 3. Technology:

Expenditure in R&D: (₹ in '000)	
	<b>Year ended 31.03.10</b>
a) Capital	—
b) Recurring	<b>3,038</b>
<b>Total</b>	<b>3,038</b>
c) Total R&D expenditure as % of total turn over.	<b>0.21%</b>

For and on behalf of the Board of Directors

**P. KRISHNAMURTHY**  
CHAIRMAN

**ASHOK J. PATEL**  
MANAGING DIRECTOR

Mumbai, July 27, 2010



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### COMPANY OVERVIEW:

The Company which was established in the year 1962, has a state of the art manufacturing facility spread over a 20 acre plot of land located at Karamsad in Gujarat State, about 45 km from Vadodara. The Company enjoys leadership position in design, manufacture and marketing of glass-lined reactor vessels, storage tanks, valves and pipe & fittings. The Company also undertakes design and fabrication of specialized chemical process equipment in Alloy steel. It has created for itself a niche position in the chemical process equipment market for proprietary products manufactured by it such as Agitated Nutsche Filters & Filter Dryers, Wiped Film Evaporators, EconoMix Mixing Systems, Thermal Control Units and PTFE lined pipes & fittings. Its access to the Mavag's high end technology for top driven Spherical Dryers, Agitated Nutsche Filters & Filter Dryers for sterile applications and Magnetic Drive Agitators has complemented the Company's position as a complete process solution provider for pharmaceuticals, bio pharmaceuticals, chemicals and allied segments.

### INDUSTRY STRUCTURE AND DEVELOPMENT:

The Pharmaceutical, Agro-chemicals and Bio chemical Specialty Chemicals business which had witnessed a considerable slow down in past few years has begun to see growth. The pharmaceutical industry achieved above 15% growth during the year and is expected to continue the momentum. Further, India is becoming a base for contract manufacturing and research for the global market and is therefore expected to invest in capacity expansion in view of overall growing demand. This trend amongst these companies which represent a significant spread in our customer base, is expected to fetch attractive returns to the company in coming times.

### OPPORTUNITIES & THREATS:

The growing domestic market and projected positive global trends provide an opportunity to the company to penetrate the market. Growing agro chemical, fertilizer, petroleum and Bio-technology industries is also expected to provide a boost to the capital goods industry and build the order book for coming times.

There is more interest in the overseas market for our equipment. We expect with the improvement in the global economy, our Company will be well poised to take advantage of the export markets.

Fluctuations in steel prices, Government policy on pharmaceutical pricing and domestic inflationary economic conditions may hamper the industry's growth in future.

### FINANCIAL PERFORMANCE:

The market environment that had slowed in the past during picked up from the second quarter of the year which witnessed 117% growth over the proceeding quarter and was followed by third quarter that witnessed 43% growth on quarter to quarter basis. Average performance in fourth quarter and sluggish sales in first quarter of the year however had an adverse impact upon the overall performance of the company. The growth witnessed by the Pharmaceutical and Specialty Chemicals during the year helped the company in sustaining the strong buildup of order book which is expected to show better performance in the Glasslined business. The Company made significant improvement in its Mixing systems segment during the year. The increased focus on this segment along with the continued focus in the Glasslined products business enabled the Company to show moderate growth for the year.

Rise in labor charges and increased provision for doubtful debts and legal expenses including those incurred towards settlement of dispute with Nile Ltd. FOREX losses adversely impacted the year's profit to some extent.

### SEGMENT WISE OPERATIONAL PERFORMANCE:

#### • Chemical Process Equipment

This Division of the Company designs manufactures and markets GMM Pfaudler Reactor Systems product line which primarily includes glass-lined corrosion resistant reactors, storage vessels and alloy steel equipment.

This Division reported sales of ₹ 1,279.30 million; marginally more than that of previous year contributing 83% to the total sales of the company. This Division of the Company continues to enjoy the number one manufacturer of glass-lined equipment in India. The profit from this segment was ₹ 185.89 million a increase of about 12% over the previous year. The capital employed for this division was ₹ 491.19 million increased by over 5% from the previous year level.

#### • Mixing System

This Division designs, manufactures and markets EconoMix Agitators which provide solutions to customer's mixing requirements. In addition to serving the CPI this Division also caters to the bio-technology, mining and waste water treatment industry. Sales of this Division of the Company increased by over 96% to ₹ 162.90 from 83.1 million in the previous financial year. The profit from this segment was ₹ 18.44 million a increase of more than 109% over the previous year. This segment was most affected by the rise in input

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cost of the drive systems. Capital employed for this Division was ₹ 43.14 million increased by over 183% from the previous year.

### • Filtration & Separation

This Division's primary business is design, manufacture and marketing of Agitated Nutsche Filter & Filter Dryers for separation of solids & liquid and Wiped Film Evaporators for separation of liquids & liquids. Mavag's high end technology and products have greatly benefited this Division. The Company reported a sales of ₹ 102.59 million, a marginal decline of 3.3% over previous year in this Division. Profits however were lower by 11.5% at ₹ 7.10 million. Capital employed for this Division was ₹ 36.89 million increased by 192% from the previous year.

### OUTLOOK:

Demand for company's product and services have shown encouraging signs as reflected by the increase in order intake during first quarter of the current financial year 2010 - 11. The backlog as at end June 2010 stood at ₹ 773 million. Several initiatives taken by the Company in absorption of Mavag technology, bringing Mavag's high end products to Indian customers, upgrading the facility for Non glasslined alloy products, product quality improvement programs and cost reduction projects are expected to improve the business environment of the Company.

### RISKS AND CONCERNS:

The Company's export business in the current year has been impacted by the global recession. Some of the global economies are yet to recover from the slowdown and uncertainty still persists due to inflation, withdrawal of the stimulus packages and rising interest rates. This may also have an impact Company's future exports business.

We have market risk exposure to foreign exchange rates mainly on account of exports and investments in foreign subsidiary company. Due to unprecedented volatility in almost all major foreign currencies the export realizations are subjected to the exchange fluctuation risk.

The Company's surplus funds are invested in fixed deposits with banks and in different mutual funds. Income from these investments has market risk exposure to the extent of interest rates fluctuations, short term debt and the equity market.

The Company is impacted during summer period by Gujarat State's difficult power supply situation leading to cuts and load shedding. Further, the power tariffs in Gujarat State are one of the highest in India. Continuous rise in the oil price in India and abroad has the effect of increasing the cost of electricity. All these factors affect output and profitability. Company's investment in the natural gas furnace will help overcome the bottleneck caused by the power supply situation.

Finally, the Company's primary raw material is steel. Though the steel prices have softened and hit the bottom, it had shown some signs of rise, especially stainless and other alloy steels. Certain orders with long manufacturing cycle time may be exposed to the risk of material price volatility.

The Company has a Risk Management Policy framework in place for continuous identification, assessment and measurement of all significant risks. These are reviewed at periodical intervals and the management takes specific action towards minimization and control of areas of risk considering various parameters.

### INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The Company works with an established framework of internal controls. Policies have been laid down for operation, approval and control of expenditure. Investment decisions involving capital expenditure are subject to formal detailed appraisal and review by approved levels of authority. Capital and Revenue expenditure are monitored and controlled with reference to pre-approved budgets and forecasts.

A firm of Chartered Accountants that has established reputation in the country ensures adequacy of the internal control systems, adherence to company's policies and procedures, ensure statutory and other compliances through periodical checks and internal audit.

The Audit Committee and the Board of the Company periodically review the reports submitted by the Internal Auditors and corrective steps taken by the Company.

The Company had carried out a review of its internal control procedures and developed a frame work with the help of an outside Consultant. This is being regularly reviewed to strengthen the control in various business processes.

As the Company manufactures certain equipment which are classified as 'Dual Use' equipment, the Company has put in place 'Know Your Customer' procedure and a system of controls to ensure that the entire process from handling of enquiries to dispatch and service is carefully monitored and controlled to prevent unauthorized use or diversion of our product.

### HUMAN RESOURCES & INDUSTRIAL RELATIONS:

The company firmly believes that its employees are key to driving performance and developing competitive advantage. The emphasis has been on proper recruitment of talent and empowerment while devoting resources for their continuous development. The company nurtures the strong performance driven culture and maintains its focus on development of human resources with insight into areas of performance Management System, Talent Planning and Reward

& Recognition with a objective of maintaining harmonious relations with employees. Training workshops and seminars are regularly conducted for workers, staff and managers of the Company with a view to attract and retain talent. The company has maintained an amicable relationship with the Union.

On March 31, 2010 the Company's total permanent employee strength was 309 against 310 in the previous year.

**CAUTIONARY NOTE:**

Certain statements in the "Management discussion and Analysis" section may be 'forward-looking'. Such 'forward looking' statements are subject to risks and uncertainties and therefore actual results could be different from what the Directors envisage in terms of the future performance and outlook.

## REPORT ON CORPORATE GOVERNANCE

A report for the financial year ended March 31, 2010 on the compliance by the Company with the Corporate Governance requirements under Clause 49 of the Listing Agreement, is furnished below.

### 1. Company's Philosophy on the Code of Corporate Governance

Corporate Governance primarily involves transparency, full disclosure, independent monitoring of the state of affairs and being fair to all stakeholders and is a combination of voluntary practices and compliance with laws and regulations. The Corporate Governance Code has also been incorporated in Clause 49 of the Listing Agreements with the Bombay Stock Exchange Limited.

The Company endeavors not only to meet the statutory requirements in this regard but also to go well beyond them by instituting such systems and procedures as are in accordance with the latest global trends of making management completely transparent and institutionally sound.

Your Company has always believed in the concept of good Corporate Governance involving transparency, empowerment, accountability and integrity with a view to enhance stakeholder value. The Company has professionals on its Board of the Directors who are actively involved in the deliberations of the Board on all important policy matters.

Your Company, as part of Robbins & Myers, Inc. Group (R&M Group), also follows the Code of Conduct and Corporate Governance norms adopted by the R&M Group.

It has been, and continues to be, the policy of your Company to comply with all laws governing its operations, to adhere to the highest standard of business ethics and to maintain a reputation for honest and fair dealings. Your Board of Directors recognizes its responsibility to oversee and monitor management and the Company's activities to reasonably assure that these objectives are achieved.

*Your Directors view good Corporate Governance as the foundation for honesty and integrity and recognize their fiduciary accountabilities to the shareholders. They are committed to continue the vigilance on these matters to maintain your trust.*

It is paramount that GMM Pfaudler's reputation for integrity and credibility remain at the highest standards for the benefits of all stakeholders, employees, customers and suppliers.

### Declaration under Clause 49 of the Listing Agreement

As provided under Clause 49 of the Listing Agreement with the Stock Exchange, I hereby declare that the Board Members and Senior Management Personnel have confirmed compliance with the Code of Conduct for Board Members and Senior Management Personnel respectively for the year ended March 31, 2010.

#### For GMM Pfaudler Limited

**Ashok J. Patel**

Managing Director (CEO)

Mumbai

July 27, 2010

### 2. Board of Directors

#### Composition and Status of Directors:

The Board Directors of the Company comprises of seven Directors, i.e., two executive and five non-executive Directors. Four of the seven are Promoter Directors and three are Independent Directors.

Mr. P. Krishnamurthy, who is a non-executive and independent Director, is the Chairman of the Board of Directors of the Company.

Mr. Ashok J. Patel is the Managing Director and Mr. Tarak A. Patel is the Executive Director of the Company.

Mr. Christopher M. Hix was appointed as Alternate Director to Mr. Kevin Brown.

None of the directors are related to each other except that Mr. Tarak A. Patel who is son of Mr. Ashok J. Patel.

#### Attendance at the Board Meetings and last Annual General Meeting

Four Board meetings were held during the year under review and the gap between two Board meetings did not exceed four months. First meeting was held on April 27, 2009, Second on July 28, 2009, Third on October 15, 2009 and Fourth on January 25, 2010. Your Company continued the practice of providing Conference Call facility to enable all the Foreign Directors and Executives to participate and discuss at the Board Meetings. Details of attendance of Directors and Directorships in other Public Limited Companies are as under:

Name of Director	Number of Board Meeting Attended	Participation through Tele-conference	Annual General Meeting
Mr. P. Krishnamurthy	4	–	Yes
Mr. Ashok J. Patel	4	–	Yes
Mr. Peter C. Wallace	0	2	No
Mr. Kevin J. Brown	0	3	No
Dr. S. Sivaram	2	–	No
Mr. Darius C. Shroff	4	–	No
Mr. Tarak A. Patel	4	–	Yes
Mr. Christopher M. Hix	0	1	N. A.

Mr. Peter C. Wallace, Mr. Kevin J. Brown and Mr. Christopher Hix participated in Board Meetings through tele conference.

#### Board Members and their Directorships in other Public Companies:

Name of Director	Status	Directorship in other Public Ltd. Companies	No. of Memberships/ Chairmanships of other committees	
			Member	Chairman
Mr. P. Krishnamurthy	Non Executive & Independent	5	Nil	1
Mr. Ashok J. Patel*	Executive	4	Nil	Nil
Mr. Peter C. Wallace**	Non Executive	Nil	Nil	Nil
Mr. Kevin J. Brown**	Non Executive	Nil	Nil	Nil
Mr. Christopher M. Hix**	Non Executive (Alternate to Mr. Kevin Brown)	Nil	Nil	Nil
Dr. S. Sivaram	Non Executive & Independent	2	Nil	Nil
Mr. Darius C. Shroff	Non Executive & Independent	6	2	3
Mr. Tarak A. Patel*	Executive	2	Nil	Nil

\* Indian Promoter

\*\* Representing Foreign Promoter, viz., Pfaudler Inc. (R&M Group)

#### Remuneration and Shareholding of Directors:

Mr. Ashok J. Patel is an Indian Promoter /Managing Director of the Company. Mr. Tarak A. Patel is an Indian Promoter/Executive Director of the Company. Mr. Ashok J. Patel and Mr. Tarak A. Patel respectively hold 4,98,120 and 172,275 share of the Company. Their remuneration structure is as under:

Amount (₹ '000')

Sr. No.	Particulars	Ashok J. Patel	Tarak A. Patel
1.	Salary and allowances	3,300	1825
2.	Provident Fund & other funds	1,028	309
3.	Perquisites	164	290
4.	Commission	5,740	–
	Total	10,233	2,524

#### Non-Executive Director's Compensation:

Non-Executive and Independent Directors on the Board of the Company are being paid sitting fees as under.

(a) ₹ 20,000 as sitting fees for each meeting of the Board of Directors and

(b) ₹ 5,000 as sitting fees for each meeting of Committees of Directors.

Independent Directors are not paid any other remuneration / fees apart from sitting fees paid during the year under review. The Company does not have any stock option scheme provided to Directors of the Company.

#### Non-Executive Director's Shareholding:

The Non-Executive Directors do not hold any shares in the Company.

### 3. AUDIT COMMITTEE:

The Audit Committee of the Company is duly constituted in accordance Clause 49(II) of the Listing Agreement. Mr.P.Krishnamurthy, Dr. S. Sivaram and Mr. Darius Shroff are the Members of the Committee and Mr. P. Krishnamurthy is the Chairman of the Committee.

Members of the Audit Committee are Non-Executive Directors of the Company and possess knowledge of Accounts, Audit and Finance. The Company Secretary acts as Secretary to the Audit Committee. The Audit Committee met on four occasions viz. April 27, 2009, July 28, 2009, October 15, 2009 and January 25, 2010. The minutes of the Audit Committee Meetings were noted at the Board Meetings. The Chairman of the Audit Committee was present at the 46th Annual General Meeting of the company held on September 30, 2009. The attendance at these meetings was as under:

Name of Director	Designation	No. of Meetings Attended
Mr. P. Krishnamurthy	Chairman	4
Dr. S. Sivaram	Member	2
Mr. Darius C. Shroff	Member	4

Terms of Reference of the Audit Committee of the Board of Directors are as under:

- To review the quarterly, half yearly and annual financial accounts of the Company before submission to the Board for approval.
- To review operational results of subsidiary companies.
- To discuss with Statutory and Internal Auditors about the internal control systems and its compliances.
- Recommending to the Board, the appointment, re-appointment and if required replacement or removal of the statutory auditors and the fixation of audit fees.
- To investigate matters referred to it by the Board or as specified.
- To review the Statutory Auditor's Audit Reports and management's response.



- To review matters as required under the terms of the Listing Agreement.
- To access information contained in the records of the Company and
- To Refer to external professionals for advice, if necessary.

The Audit Committee also reviews the following information

- 1) Management discussion and analysis of financial conditions and results of operations.
- 2) Statement of significant related party transactions.

#### 4. Remuneration Committee:

Remuneration Committee of Board Directors of the Company consists of Mr. P. Krishnamurthy (Chairman), Dr. S Sivaram, Mr. Darius C. Shroff and Mr. Peter C. Wallace as on date. All the members of the Remuneration Committee are Non-Executive Directors.

Terms of reference Remuneration Committee are as under

- To appraise the performance of Managing Director and Executive Director.
- To determine and recommend to the board compensation payable to Managing Director.
- To determine the remuneration payable to Senior Management personal on level below the board.

During the year, the Remuneration Committee held one meeting on January 22, 2010. Mr. P. Krishnamurthy and Mr. Darius C. Shroff attended the meeting.

#### Remuneration of Directors

Details of Remuneration paid/payable to Directors for the year ended March 31, 2010 are as follows:

Director	Relationship with other Directors	Sitting Fees (₹)	Salary, Perquisites & Commission (₹)	Total Amount (₹)
Mr. P. Krishnamurthy	None	1,25,000	Nil	1,25,000
Mr. Ashok J. Patel	Father of Mr. Tarak Patel	Nil	102,33,000	Nil
Mr. Peter C. Wallace	None	Nil	Nil	Nil
Mr. Kevin J. Brown	None	Nil	Nil	Nil
Mr. Christopher M. Hix	Alternate to Mr. Kevin Brown	Nil	Nil	Nil
Dr. S. Sivaram	None	60,000	Nil	60,000
Mr. Darius C. Shroff	None	1,25,000	Nil	1,25,000
Mr. Tarak A. Patel	Son of Mr. Ashok Patel	Nil	25,24,000	Nil

No other remuneration is paid to non executive directors except sitting fee which has been disclosed as above.

#### 5. SHAREHOLDERS & INVESTORS GRIEVANCE COMMITTEE:

Shareholders & Investors Grievance Committee of the Company consists of three. Members. Mr. P. Krishnamurthy, Dr. S. Sivaram and Mr. Darius Shroff as on date. Mr. P. Krishnamurthy is the chairman of the committee.

The Shareholder and Investors Grievance Committee met on four occasions viz. April 27,2009, July 28, 2009, October 15, 2009 and January 25, 2010.The attendance at these meetings was as under:

Name of Director	Designation	No. of Meetings Attended
Mr. P. Krishnamurthy	Chairman	4
Mr. Darius C. Shroff	Member	4
Dr. S. Sivaram	Member	2

Mr. Vaibhav S. Bakhare, Company Secretary is the Compliance Officer of the Company.

The Shareholders & Investors grievance committee inter-alia reviews quarterly reports of Registrar & Transfer Agent regarding various types of complaints/requests received handled and balance if any. It also reviews quarterly shareholding patterns etc. During the year the Company received 14 complaints and the all of them were duly disposed off. No investor grievance remained unattended/pending for more than 30 days and no request of share transfers and dematerialization received during the financial year was pending for more than 30 days and 15 days respectively .The Company does not have any pending transfers / non- attended complaint as at the closure of the year under review.

As provided under Clause 47(f) of the Listing Agreement, with the Stock Exchange, the Company has designated an email id exclusively for the purpose of redressal of investors' grievances: [investorservices@gmmpfaudler.co.in](mailto:investorservices@gmmpfaudler.co.in)

#### 6. GENERAL BODY MEETING:

Last three Annual General Meetings were held at Sardar Vallabhbhai Patel and Veer Vithalbhai Patel Memorial, Anand - Sojitra Road, Karamsad-388 325, Gujarat., near the registered office of the company. Details are as under:

YEAR	ANNAUL GENERAL MEETING	DATE OF MEETING	TIME OF MEETING	NO. OF SPECIAL RESOLUTIONS PASSED
2006-07	Forty-Fourth	September 26, 2007	10.00 a.m.	1
2007-08	Forty-Fifth	September 25, 2008	10.00 a.m.	1
2008-09	Forty-Sixth	September 30, 2009	10.00 a.m.	1

All resolutions including the special resolutions at the above General Meetings were passed by way of show of hands. No postal ballots were used for voting at these meetings.



**7. DETAILS OF DIRECTORS APPOINTED DURING THE YEAR / SEEKING RE-APPOINTMENT:**

Mr. P. Krishnamurthy (62) is a Non-Executive Independent Director and the Chairman on the Board of the Company.

Mr. P. Krishnamurthy chairman and member of the Audit Committee, Shareholders and Investors Grievance Committee, Remuneration Committee and Share transfer Committee. Mr. Krishnamurthy has over 25 years of experience in Corporate Management and Strategy, Restructuring, M & A, International Business and Joint Ventures, Financial Management & Banking including Managing and supervising business abroad. He was involved in financial services for the last nine years as Vice Chairman of JM Morgan Stanley, Director of JM Financial and Former Director of IL & FS Asset Management. He has also three years experience in Management Consultancy, Twelve years with a Swedish Multinational Group and eleven years with two very large Indian Industrial groups. He has worked at the Group Management/Board level of several multinational companies and large Indian Industrial Groups having listed companies in India and abroad. Mr. Krishnamurthy is a Director in the Following companies (excluding private Companies, Foreign Companies and registered under Section 25 of the Companies Act. 1956):

Name of the Company	Designation	Chairmanship or Membership of other Board Committees
SKIL Infrastructure Ltd.	Director	Nil
Mumbai SEZ Ltd.	Director	Nil
Urban Infrastructure Venture Capital Limited	Director	Nil
Repro India Ltd.	Director	Chairman of Audit Committee
Apodis Hotels & Resorts Ltd.	Director	Nil

b) Mr. Darius C. Shroff (65) is a Non-Executive Independent Director of the Board of Directors of the Company.

Mr. Darius C. Shroff is a Solicitor and Advocate. He is a Senior Partner of Crawford Bayley and is having over 40 years of experience in the legal profession. In his professional practice, Mr. Shroff covers a wide range of legal services and has specialized in Employment and Industrial Law. Mr. Shroff is a Director in the Following Companies (excluding Private Companies, Foreign Companies and registered under Section 25 of the Companies Act, 1956):

Mr. Shroff is a Director in the Following companies (excluding private Companies, Foreign Companies and registered under Section 25 of the Companies Act. 1967):

Name of the Company	Designation	Chairmanship or Membership of other Board Committees
Ingersoll-Rand (I) Ltd.	Director	Chairman- Share transfer cum Investors Grievance Committee Member- Audit Committee
Siemens Ltd.	Director	Chairman- Investors Grievance Committee
SKF India Ltd.	Director	Chairman-Audit Committee Member- Share transfer/ Investors' Grievance Redressal Committee

**8. DISCLOSURES:**

- (i) Details on transactions with related parties, viz. Promoters, Directors or the Management, their subsidiaries or relatives potentially conflicting with Company's interest are given / appended in Schedule 28 of 'Notes Forming Parts of the Accounts'. Except payment of sitting fees there has been no pecuniary transaction with any of the non executive directors of the Company.
- (ii) The Company has complied with the mandatory requirements of the Corporate Governance Clause of Listing Agreement. The Company has implemented some of the non-mandatory requirements enlisted by way of annexure to Clause 49 of the Listing Agreement including the constitution of Remuneration Committee and quarterly declaration of financial performance is being sent to shareholders.

**9. MEANS OF COMMUNICATION:**

The Company publishes its Quarterly, Half-yearly and Annual Financial results in the Economics Times (Mumbai and Ahmedabad) and Naya Padkar (Anand) newspapers. The said results are also available at the website of the Company. Quarterly Results are also posted to all the shareholders.

During the year, the Company has not released any official news of the Company or any presentation to institutional investor/analysts.

**CEO/CFO Certificate:**

A certificate from the Managing Director (CEO) and Financial Controller (CFO) in terms of Clause 49(V) of the Listing Agreement was placed before the Board, at the Meeting held on July 27, 2010 to approve the Audited Annual Accounts for the year ended March 31, 2010.

**10. GENERAL SHAREHOLDER INFORMATION:**

- (i) Annual General Meeting:
- (ii) The Forty Seventh Annual General Meeting of the Company will be held on Wednesday, September 29, 2010 at 10.00 a.m. at the Sardar Vallabh Patel and Veer Vithalbai Patel Memorial, Karamsad, Gujarat 388 325.
- (iii) Financial year of the Company: April to March  
Financial Calendar (Tentative):
  - Financial reporting for the quarter ended June 30, 2010 : 27th July, 2010
  - Financial reporting for the quarter ended September 30, 2010 : End of October, 2010
  - Financial reporting for the quarter ended December 31, 2010 : End of January, 2011
  - Financial reporting for the quarter ended March 31, 2011 : End of April, 2011
  - Annual General Meeting for the year ended March 31, 2011 : End of September, 2011
- (iv) Date of Book Closure: Thursday, September 24, 2010 to Thursday, September 30, 2010 (Both days inclusive)
- (v) Dividend Payment Date: No final dividend
- (vi) Listing of Stock Exchange: The Bombay Stock Exchange Limited
- (vii) Stock Code: 505255
- (viii) Dematerialization: ISIN Number 541A01015
- (ix) Registrar & Transfer Agents:  
Link Intime India Private Limited, C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai 400 078. Phone 022 - 25946970, Fax 2594 6969 Contact Person: Mr. Sharad Patkar Email: rnt.helpdesk@linkintime.co.in
- (x) Share Transfer System:  
Transfers are registered and returned within a period of 30 days from the date of receipt. The requests for

dematerialization of shares are confirmed within 15 days from the date of receipt.

(xi) Stock Market Price for the year:

Month	Market Price (₹ )		BSE – Sensex	
	High	Low	High	Low
April 2009	65.00	40.50	11,492	9,546
May 2009	79.75	53.40	14,930	11,621
June 2009	75.90	56.25	15,600	14,016
July 2009	67.00	51.00	15,732	13,219
August 2009	92.00	56.05	16,002	14,684
September 2009	97.95	72.00	17,142	15,356
October 2009	111.00	78.05	17,493	15,805
November 2009	111.80	84.00	17,290	15,330
December 2009	108.00	91.60	17,530	16,577
January 2010	124.00	96.00	17,790	15,982
February 2010	108.00	92.55	16,669	15,651
March 2010	102.00	92.00	17,793	16,438

(xii) Shareholding Pattern as on March 31, 2010:

Category	No. of shares	Percent
Foreign Promoters - Pfaudler Inc.	74,54,400	51.00
Indian Promoters Group	35,99,760	24.63
NRI/OCB	66,220	0.45
Financial Institution, Nationalized Bank, Insurance Companies	3,37,643	2.31
Domestic Companies, Clearing Members, Trusts	4,47,836	3.06
Individuals	27,11,641	18.55
<b>Total</b>	<b>1,46,17,500</b>	<b>100.00</b>

(xiii) Distribution of Shareholding as on March 31, 2010:

Sr. No	Slab of shareholding		Shareholders		Shares	
	No. of Equity shares held		Nos.	%	Nos.	%
	From	To				
1.	1	500	4716	83.40	713236	4.88
2.	501	1000	489	8.65	389486	2.67
3.	1001	2000	248	4.38	370004	2.53
4.	2001	3000	64	1.13	168690	1.15
5.	3001	4000	32	0.56	117304	0.80
6.	4001	5000	31	0.55	141917	0.97
7.	5001	10000	30	0.53	206814	1.42
8.	10001	Above	45	0.80	12510049	85.58
<b>Total</b>			<b>5655</b>	<b>100.00</b>	<b>14617500</b>	<b>100.00</b>

(xiv) Dematerialization:

As on March 31, 2010, 40.85% of the Company's total shares representing 59,71,575 shares are held in dematerialized form and the balance 86,45,925 representing 59.15% shares (including 51% representing 74,54,400 shares held by holding Company) are in Physical Form.

(xv) Outstanding GDRs / ADRs /Warrants or any convertible instruments:

There has been no issue of GDR/ADRS warrants or any convertible instruments hence no question of outstanding of any such instruments.

(xvi) Plant Location:

Manufacturing Plant of the Company is situated at Vithal Udyognagar, Karamsad, Anand 388 325, in the State of Gujarat.

(xvii) Shareholders & Investors Correspondence:

Shareholders should address their correspondence to the Company's Registrar and Transfer Agent:

Link Intime India Private Limited,  
C-13, Pannalal Silk Mills Compound, L. B. S. Marg,  
Bhandup (West), Mumbai 400 078  
Phone 022-25946970, Fax 022- 2594 6969.  
Contact Person: Mr. Sharad Patkar.  
Email: [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in)

## **GMM PFAUDLER LIMITED**

Annual Report 2009 - 2010

To the Members of

GMM Pfaudler Limited  
Mumbai

### AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

We have examined the compliance of condition of Corporate Governance by GMM Pfaudler Limited ('the Company') for the year ended March 31, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We 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 and on behalf of  
**Kalyaniwalla & Mistry**  
Chartered Accountants

**Vinayak M. Padwal**  
Partner  
M. No. F 49639

Firm Registration No.: 104607W  
Mumbai: July 27, 20107

## REPORT OF THE AUDITORS

### TO THE MEMBERS OF GMM PFAUDLER LIMITED

1. We have audited the attached Balance Sheet of GMM Pfaudler Limited, as at March 31, 2010 and also the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditors' Report) Order (Amendment) Order 2004, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books.
  - c) The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of account.
  - d) In our opinion, the Profit and Loss Account and Balance Sheet comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable.
  - e) In our opinion and to the best of our information and according to the explanations given to us the said accounts read with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2010;
    - ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
    - iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
- 5) On the basis of written representations received from the directors as on March 31, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2010; from being appointed as director under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For and on behalf of  
**KALYANIWALLA & MISTRY**  
CHARTERED ACCOUNTANTS  
FIRM REGISTRATION NO. 104607W

**VINAYAK M. PADWAL**  
PARTNER  
M. No. F49639  
Mumbai; July 27, 2010

**ANNEXURE TO THE AUDITOR'S REPORT**

**Referred to in paragraph (3) of our report of even date on the accounts of GMM Pfaudler Limited for the year ended March 31, 2010.**

- 1) (a) The Company is generally maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.  
(b) The Company has a program for physical verification of fixed assets at periodic intervals. In our opinion, the period of verification is reasonable having regard to the size of the Company and the nature of its assets. The discrepancies noticed on such verification were not material and the same have been properly dealt with in the books of account.  
(c) In our opinion, the fixed assets disposed off during the year were not substantial, and do not affect the going concern assumption.
- 2) (a) The Management has conducted physical verification of inventory at reasonable intervals.  
(b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
(c) The Company is maintaining proper records of inventory, *however the processes with respect to reconciliation of the priced stores ledger and stocks at third party locations need strengthening*. The Company is in the process of further strengthening the same. The discrepancies noticed on verification between physical inventories and book records have been properly dealt with in the books of account.
- 3) (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Act.  
(b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Act.
- 4) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. *Other than the areas for improvement reported in para 2(c) above*, there is no continuing failure to correct major weaknesses in internal control.
- 5) (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that 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 the information and explanation given to us, having regard to the explanation that certain transactions being of a special nature where comparable alternative quotations are not available, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act 1956 and exceeding ₹ 5 lakh with any party during the year, have been made at prices 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 any deposits during the year from the public within the meaning of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956, and the rules framed there under. However, as at the year end the unclaimed matured deposits in respect of an old scheme amounted to ₹ 6 thousand.
- 7) The Company has an internal audit system, which in our opinion, is commensurate with the size of the Company and the nature of its business.
- 8) As informed to us, the maintenance of cost records has not been prescribed by the Company under Section 209(1)(d) of the Companies Act, 1956 in respect of the activity carried on by the company.



- 9) (a) According to the records examined by us, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, cess and other statutory dues applicable to it with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of aforesaid statutory dues were outstanding, at the year end for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service tax, Excise Duty or cess outstanding on account of any dispute, other than those stated hereunder:

Name of Statute	Nature of Dues	Amount (In ₹ '000)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act, 1944	Excise duty demands including cenvat credit disputes	2,218	1996-97 and 2008-09	Appellate Commissioner
	Service Tax on services not eligible for Cenvat	1,185	2003-04, 2006-07 and 2007-08	Appellate Commissioner
Central Excise Act, 1944	Excise duty demands including cenvat credit disputes	1,109	1990-91, 1996-97 to 1999-2000	Assistant Commissioner
	Service Tax on services not eligible for Cenvat	288	2007-08	Assistant Commissioner
Income tax	Assessment of taxable income	488	1991-92	Income Tax Appellate Tribunal
Income tax	Assessment of taxable income	437	2005-06	Income Tax Appellate Tribunal
Income tax	Assessment of taxable income	18,740	2006-07 and 2007-08	Commissioner of Income Tax (Appeal) VIII

- 10) The Company has no accumulated losses as at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
- 11) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- 12) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares and other securities.
- 13) In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi / mutual benefit fund/ societies.
- 14) In our opinion, the Company has maintained proper records of the transactions and contracts in respect of investments purchased and sold during the year and timely entries have been made therein. The investments made by the Company are held in its own name.
- 15) According to the information and explanations given to us and the records examined by us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 16) According to the information and explanations given to us and the records examined by us, the Company has not obtained any term loans.
- 17) On the basis on an overall examination of the balance sheet and cash flows of the Company and the information and explanations given to us, we report that the Company has not utilized the funds raised on short-term basis for long-term investment.
- 18) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

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- 19) The Company did not issue any debentures during the year.
- 20) The Company has not raised any money through a public issue during the year.
- 21) Based on the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For and on behalf of

**KALYANIWALLA & MISTRY**

CHARTERED ACCOUNTANTS

FIRM REGISTRATION NO. 104607W

**VINAYAK M. PADWAL**

PARTNER

M. No. F49639

Mumbai; July 27, 2010

## FIVE YEAR FINANCIAL HIGHLIGHTS

₹'000'

Description	2009-10	2008-09	2007-08	2006-07	2005-06
<b>OPERATING RESULTS</b>					
Income from Operations	1,544,784	1,466,810	1,420,059	1,149,491	1,017,640
Other Income	27,022	35,223	53,700	29,186	27,404
Profit before Depreciation, Interest & Tax	207,157	203,178	267,153	225,848	214,039
Interest	6,562	13,050	16,719	12,203	8,625
Depreciation	33,343	32,606	27,399	23,831	23,286
Profit before Tax	167,253	157,522	223,035	189,814	182,128
Profit after Tax	114,426	102,274	155,583	120,863	122,202
Dividends	40,929	40,929	40,929	35,082	35,082
Dividend per share (₹)	2.80	2.80	2.80	*2.4	12.00
Earning per share (₹)	7.56	7.00	10.64	*8.27	41.80
Book value per share (₹)	62.90	58.62	54.89	*47.52	210.04
<b>FINANCIAL SUMMARY</b>					
<b>ASSETS EMPLOYED</b>					
Fixed Assets (net)	288,254	299,644	298,040	264,060	270,428
Investments	119,477	111,981	89,552	192,914	172,876
Net Working Capital	511,720	445,135	521,594	364,756	192,889
<b>Total</b>	<b>919,451</b>	<b>856,760</b>	<b>909,186</b>	<b>821,730</b>	<b>636,193</b>
<b>FINANCED BY</b>					
Share Capital	29,235	29,235	29,235	29,235	29,235
Reserves & Surplus	890,216	827,525	773,137	665,438	584,838
Loan Funds	-	-	106,814	127,057	22,120
<b>Total</b>	<b>919,451</b>	<b>856,760</b>	<b>909,186</b>	<b>821,730</b>	<b>636,193</b>

\*Calculated based on revised numbers of shares after the stock sub division from ₹ 10/- per share to ₹ 2/- per share

**GMM PFAUDLER LIMITED**

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**BALANCE SHEET AS AT MARCH 31, 2010**

	Schedule	As at 31.03.10 ₹ '000'	As at 31.03.09 ₹ '000'
<b>SOURCES OF FUNDS</b>			
<b>1 Shareholders' Funds</b>			
Share Capital	1	29,235	29,235
Reserves & Surplus	2	890,216	827,525
		<b>919,451</b>	856,760
<b>2 Deferred Tax Liability</b>		<b>33,272</b>	37,545
		<b>952,723</b>	894,305
<b>APPLICATION OF FUNDS</b>			
<b>3 Fixed Assets</b>	3		
Gross Block		619,193	602,210
Less: Depreciation		338,671	306,755
Net Block		280,522	295,455
Capital Work-in-progress		7,732	4,189
		<b>288,254</b>	299,644
<b>4 Investments</b>	4	<b>119,477</b>	111,981
<b>5 Current Assets, Loans and Advances</b>			
Inventories	5	404,172	464,588
Sundry Debtors	6	281,868	247,774
Cash and Bank Balances	7	30,435	29,132
Loans and Advances	8	206,791	215,737
		<b>923,266</b>	957,231
<b>Less: Current Liabilities and Provisions</b>			
Liabilities	9	359,067	455,719
Provisions	10	19,207	18,832
		<b>378,274</b>	474,551
<b>Net Current Assets</b>		<b>544,992</b>	482,680
		<b>952,723</b>	894,305
<b>Notes to Accounts</b>	16		

The Schedules referred to above form an integral part of the Balance Sheet.

As per our report attached.

For and on behalf of  
**KALYANIWALLA & MISTRY**  
Chartered Accountants

**Vinayak M. Padwal**  
Partner

M. No. F 49639  
Mumbai, July 27, 2010

**Vaibhav Bakhare**  
Company Secretary

Mumbai, July 27, 2010

Signatures to Balance Sheet and  
Schedules 1 to 10 and 16

For and on behalf of the Board

**P. Krishnamurthy**  
**A. J. Patel**  
**Dr. S. Sivaram**  
**Darius C. Shroff**  
**Tarak Patel**  
**A. N. Mohanty**

Chairman  
Managing Director  
Director  
Director  
Executive Director  
Financial Controller

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

	Schedule	Year ended 31.03.10 ₹'000'	Year ended 31.03.09 ₹'000'
<b>INCOME</b>			
Turnover (Gross)		1,646,694	1,608,212
Less: Excise Duty		101,910	141,402
Turnover (Net)		1,544,784	1,466,810
Other Income	11	27,022	35,223
		<b>1,571,806</b>	<b>1,502,033</b>
<b>EXPENDITURE</b>			
Cost of production	12	1,100,494	1,087,490
Operating expenses	13	146,081	118,149
Selling, general and administrative expenses	14	118,074	93,216
Depreciation		33,342	32,606
Interest and Financial Charges	15	6,562	13,050
		<b>1,404,553</b>	<b>1,344,511</b>
<b>PROFIT BEFORE TAXATION</b>			
		<b>167,253</b>	<b>157,522</b>
Provision for Taxation			
Current		57,100	53,100
Deferred		(4,273)	(62)
Fringe Benefit Tax		–	2,210
<b>NET PROFIT FOR THE YEAR AFTER TAXATION</b>			
		<b>114,426</b>	<b>102,274</b>
Prior year's adjustment for taxation		3,850	–
<b>NET PROFIT FOR THE YEAR</b>			
		<b>110,576</b>	<b>102,274</b>
Surplus brought forward		538,837	494,675
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>			
		<b>649,413</b>	<b>596,949</b>
<b>APPROPRIATIONS:</b>			
Interim Dividend		40,929	40,929
Tax on distributed profit		6,956	6,956
Transfer to General Reserve		11,058	10,227
Surplus carried forward		590,470	538,837
		<b>649,413</b>	<b>596,949</b>
Basic and diluted earnings per share of ₹ 2 each (₹)		7.56	7.00
<b>Notes to Accounts</b>	16		

The Schedules referred to above form an integral part of the Profit and Loss Account.

As per our report attached.

For and on behalf of  
**KALYANIWALLA & MISTRY**  
 Chartered Accountants

**Vinayak M. Padwal**  
 Partner

M. No. F 49639  
 Mumbai, July 27, 2010

**Vaibhav Bakhare**  
 Company Secretary

Mumbai, July 27, 2010

Signatures to Profit and Loss Account and  
 Schedules 11 to 16

For and on behalf of the Board

**P. Krishnamurthy**  
**A. J. Patel**  
**Dr. S. Sivaram**  
**Darius C. Shroff**  
**Tarak Patel**  
**A. N. Mohanty**

Chairman  
 Managing Director  
 Director  
 Director  
 Executive Director  
 Financial Controller

**GMM PFAUDLER LIMITED**

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**STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31, 2010**

	Year ended 31.03.2010 ₹ '000'	Year ended 31.03.2009 ₹ '000'
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	167,253	157,522
Adjustments to reconcile profit before tax to cash provided by operations		
Depreciation	33,342	32,606
Net (gain)/loss on sale of fixed assets	459	934
Net (gain)/loss on sale of Investment	(5,099)	(1,456)
Interest income	(4,029)	(7,087)
Interest expense	6,562	13,050
Dividend Income	(6,357)	(819)
Provision for doubtful debts, liquidated damages and advances	6,856	3,297
Diminution in value of Investment provided/(written back)	(1,066)	1,490
Unrealised foreign exchange fluctuation loss/(gain)	8,227	(15,485)
Operating profit before working capital changes	206,148	184,052
Adjustments for:		
Inventories	60,416	(6,713)
Trade and other receivables	(40,782)	57,258
Trade payables and other liabilities	(101,306)	49,716
Cash generated from operations	124,476	284,313
Direct Taxes paid	(55,726)	(55,065)
Net cash from/(used in) operating activities	A 68,750	229,248
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(22,629)	(37,753)
Proceeds from sale of assets	218	2,609
Purchase of investments	(53,378)	(36,418)
Proceeds from sale of investments	52,047	13,956
Loan given to subsidiary	-	-
Interest received	4,029	7,087
Dividend received	6,357	819
Net cash from/(used in) investing activities	B (13,356)	(49,700)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	-	-
Repayment of borrowings	-	(106,814)
Interest paid	(6,562)	(13,050)
Dividend paid	(40,573)	(40,708)
Tax on distributed profits	(6,956)	(6,956)
Net cash (used in)/from financing activities	C (54,091)	(167,528)
<b>NET INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	A+B+C 1,303	12,020
Cash and Cash equivalents, beginning of the year	29,132	17,112
Cash and Cash equivalents, end of the year	30,435	29,132

Note: The company has been sanctioned credit facilities for working capital of ₹ 1700 Lacs, of which facilities utilised as on March 31, 2010 were ₹ nil.

As per our report attached.

For and on behalf of the Board

For and on behalf of  
**KALYANIWALLA & MISTRY**  
Chartered Accountants

**Vinayak M. Padwal**  
Partner

M. No. F 49639  
Mumbai, July 27, 2010

**Vaibhav Bakhare**  
Company Secretary

Mumbai, July 27, 2010

**P. Krishnamurthy**  
**A. J. Patel**  
**Dr. S. Sivaram**  
**Darius C. Shroff**  
**Tarak Patel**  
**A. N. Mohanty**

Chairman  
Managing Director  
Director  
Director  
Executive Director  
Financial Controller



## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2010

	As at 31.03.10 ₹'000'	As at 31.03.09 ₹'000'
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
Authorised:		
25,000,000 Equity shares of ₹ 2 each	<b>50,000</b>	50,000
Issued, Subscribed and Paid-up:		
14,617,500 Equity shares of ₹ 2 each fully paid	<b>29,235</b>	29,235
	<b>29,235</b>	29,235
Of the above shares:		
7,454,400 Equity shares are held by Pfaudler Inc. USA, the holding company.		
122,400 Equity Shares have been issued for consideration other than cash.		
8,586,500 Equity shares have been issued as bonus shares, by capitalisation of reserves and share premium account.		
<b>SCHEDULE 2</b>		
<b>RESERVES AND SURPLUS</b>		
Capital Reserve		
Balance as per last balance sheet	<b>17</b>	17
Cash Subsidy Reserve		
Balance as per last Balance Sheet	<b>695</b>	695
Share Premium Account		
Balance as per last Balance Sheet	<b>149,284</b>	149,284
Balance as per last Balance Sheet	<b>138,692</b>	128,465
Transfer from Profit and Loss account	<b>11,058</b>	10,227
	<b>149,750</b>	138,692
Profit and Loss Account	<b>590,470</b>	538,837
	<b>890,216</b>	827,525

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2010

## SCHEDULE 3

## FIXED ASSETS

ASSETS	GROSS BLOCK		DEPRECIATION		NET BLOCK			
	As on 01.04.2009	Additions Deductions	As on 31.03.2010	Upto 01.04.2009 Year	On Deductions	Upto 31.03.2010	As on 31.03.2010	As on 31.03.2009
Freehold land	2,316	-	2,316	-	-	-	2,316	2,316
Leasehold land	1,154	-	1,154	424	12	436	718	730
Lease improvement	5,642	-	5,642	2,452	615	3,067	2,575	3,190
Buildings	130,170	2,852	133,022	32,009	3,032	35,041	97,981	98,161
Plant & machinery	416,097	12,811	427,306	253,827	1,117	278,226	149,080	162,270
Furniture & Fixtures	21,892	294	22,186	9,858	1,148	11,006	11,180	12,034
Vehicles	24,939	3,129	27,567	8,185	309	10,895	16,672	16,754
<b>Total</b>	<b>602,210</b>	<b>19,086</b>	<b>619,193</b>	<b>306,755</b>	<b>33,342</b>	<b>338,671</b>	<b>280,522</b>	<b>295,455</b>
Previous Year Total	571,920	37,828	602,210	278,144	3,995	306,755	295,455	-
Capital work-in-progress							7,732	4,189
							288,254	299,644

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2010

	Face value Rupees	Number		Cost	
		As At 31.03.2010	As At 31.03.2009	As At 31.03.2010 ₹ '000	As At 31.03.2009 ₹ '000
<b>SCHEDULE 4</b>					
<b>INVESTMENTS</b>					
<b>1. Long Term Investments (Fully paid)</b>					
<b>(a) Trade Investments</b>					
<b>Quoted Equity shares</b>					
Abbott India Ltd.	10	100	100	5	5
BASF India Ltd. (Merger of Ciba India with BASF)	10	276	245	12	12
Bayer Cropscience Ltd. (Formerly Bayer India)	10	50	50	4	4
Clariant Chemical India - (Formerly Colour Chem Ltd.)	10	50	50	3	3
Dharamshi Morarji Chemicals Co. Ltd.	10	100	100	4	4
Excel Crop Care Ltd.	5	112	112	–	–
Excel Industries Ltd.	5	112	112	10	10
Futura Polyester Ltd.(Formerly Indian Organic Chemicals Ltd.)	10	100	100	1	1
Glaxo Smithkline Pharmaceuticals Ltd.	10	122	122	7	7
GHCL (Formerly Gujarat Heavy Chemical Ltd.)	10	100	100	2	2
Hico Products Ltd.	10	625	625	6	6
IDI Ltd.	10	66	66	3	3
Innovassynth Investments Ltd. (As per arrangement with Futura)	10	45	–	–	–
Kansai Nerolac Paints Ltd.	10	333	333	10	10
Nestle India Ltd.	10	93	93	6	6
Novartis (India) Ltd.	5	70	70	7	7
Piramal Healthcare Ltd. (Formerly Nicholas Piramal India Ltd.)	2	390	390	–	–
Piramal Life Sciences Ltd.	10	39	–	–	–
Piramal Glass Ltd. (Formerly Gujarat Glass Ltd.)	10	19	19	–	–
Peninsula Land Ltd.	2	1,040	1,040	4	4
Pfizer Ltd.	10	135	135	11	11
Shubh Shanti Services Ltd.	10	25	25	–	–
SI Group - India Ltd. (Formerly Herdillia Chemicals Ltd.)	10	50	50	5	5
Tata Chemicals Ltd.	10	161	161	7	7
United Phosphorus Ltd.	2	7,500	7,500	405	405
Wyeth Ltd.	10	50	50	6	6
				<b>518</b>	<b>518</b>
<b>Less:- Provision for diminution in the value of Investments</b>				–	19
				<b>518</b>	<b>499</b>

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2010

	Face value Rupees	Number		Cost	
		As At 31.03.2010	As At 31.03.2009	As At 31.03.2010 ₹ '000	As At 31.03.2009 ₹ '000
<b>SCHEDULE 4</b>					
<b>INVESTMENTS</b> (Continued)					
<b>(b) Other Investments</b>					
<b>Quoted Equity Shares</b>					
Skyline Millars Ltd. (Formerly Millars India Ltd.) (a company under the same management)	1	<b>1,406,000</b>	1,406,000	<b>1,933</b>	1,933
Nile Ltd.	10	<b>282,543</b>	286,200	<b>12,405</b>	12,565
				<b>14,338</b>	14,498
<b>Non convertible debentures</b>					
<b>Unquoted</b>					
Hico Products Ltd.	150	<b>125</b>	125	<b>-</b>	-
Balance carried forward				<b>14,856</b>	14,997
<b>(c) Subsidiary Companies</b>					
<b>Unquoted Equity Shares</b>					
GMM Mavag Ag	CHF 1,000	<b>1,500</b>	1,500	<b>52,275</b>	52,275
Karamsad Investment Ltd.	10	<b>260,000</b>	260,000	<b>2,600</b>	2,600
Karamsad Holdings Ltd.	10	<b>350,000</b>	350,000	<b>3,500</b>	3,500
				<b>58,375</b>	58,375
<b>(d) Shares in Co-operative Societies</b>					
<b>Unquoted</b>					
Karamsad Urban Co-op. Bank Ltd.	10	<b>1,200</b>	1,200	<b>12</b>	12
Charotar Gas Sahakari Mandli Ltd.	500	<b>10</b>	10	<b>5</b>	5
				<b>17</b>	17
<b>2. Current Investments</b>					
<b>Unquoted Mutual Funds</b>					
Acquired during the year:					
Prudential ICICI Fusion Fund Series - II Retail Growth	10	-	366,269	-	3,663
HDFC Fixed Maturity Plan Series VIII	10	-	1,000,000	-	10,000
Kotak FMP 12M Series 7	10	-	1,000,000	-	10,000
HSBC Income Fund - Short Term Plan - Dividend	10	<b>429,193</b>	414,389	<b>4,622</b>	4,461
23 ICICI Prudential Short Term Plan - Dividend Reinvest	10	<b>577,609</b>	550,595	<b>6,307</b>	5,990
DSPML Short Term Fund Monthly - Dividend	10	<b>578,969</b>	562,640	<b>6,143</b>	5,968
Birla Sun Life MIP II - Savings 5 Plan - Monthly Dividend - Payout	10	<b>1,101,863</b>	-	<b>12,550</b>	-
Reliance MIP - Monthly Dividend Plan	10	<b>1,116,032</b>	-	<b>17,050</b>	-
				<b>46,672</b>	40,082
Provision for diminution in value of Investments				<b>443</b>	1,490
				<b>46,229</b>	38,592
<b>Total Investments</b>				<b>119,477</b>	111,981
<b>Note :</b>					
<b>Aggregate book value of investments</b>					
Quoted				<b>14,856</b>	14,497
Unquoted				<b>104,621</b>	96,984
				<b>119,477</b>	111,981
Market value of quoted investments				<b>47,811</b>	21,420

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2010**

	As at 31.03.10 ₹'000'	As at 31.03.09 ₹'000'
<b>SCHEDULE 5</b>		
<b>INVENTORIES</b>		
(at lower of cost and net realisable value)		
Stores and spares	23,951	19,925
Raw materials	160,569	189,505
Work-in-progress	213,115	233,005
Finished goods	6,537	22,153
	<b>404,172</b>	<b>464,588</b>
<b>SCHEDULE 6</b>		
<b>SUNDRY DEBTORS</b>		
<b>(Unsecured and considered good)</b>		
Debts outstanding over six months		
- Considered good	22,428	32,716
- Considered doubtful	38,614	34,969
	<b>61,042</b>	<b>67,685</b>
Other debts		
- Considered good	259,440	215,058
- Considered doubtful	9,179	5,968
	<b>268,619</b>	<b>221,026</b>
Less: Provision for doubtful debts	47,793	40,937
	<b>281,868</b>	<b>247,774</b>
<b>SCHEDULE 7</b>		
<b>CASH AND BANK BALANCES</b>		
Cash and cheques on hand	282	681
Balances with scheduled banks		
- in current accounts	12,853	27,026
- in deposit accounts	17,300	1,425
	<b>30,435</b>	<b>29,132</b>

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2010**

	As at 31.03.10 ₹'000'	As at 31.03.09 ₹'000'
<b>SCHEDULE 8</b>		
<b>LOANS AND ADVANCES</b>		
<b>(Unsecured and considered good)</b>		
Loans to subsidiaries	158,375	167,558
Advances recoverable in cash or in kind or for value to be received (including ₹ 4,797 thousand, previous year ₹ 4,797 thousand considered doubtful)	31,141	27,393
Deposits (including ₹ 1,473 thousand, previous year ₹ 1,473 thousand considered doubtful)	19,711	19,894
Balance with central excise authorities	3,834	6,611
Advance payment of taxes (Previous year Net of provision for tax ₹ 303,584 thousand)	-	551
	<b>213,061</b>	222,007
Less: Provision for doubtful advances/deposits	<b>6,270</b>	6,270
	<b>206,791</b>	215,737
<b>SCHEDULE 9</b>		
<b>CURRENT LIABILITIES</b>		
Sundry creditors		
- Outstanding dues of micro, small and medium enterprises	665	7,759
- Other creditors	191,213	185,694
Advances from customers	95,605	196,180
Investor Education and Protection Fund *		
Unclaimed dividend	1,757	1,401
Unclaimed matured deposits	6	6
Other liabilities	59,589	54,447
Interim dividend payable	10,232	10,232
	<b>359,067</b>	455,719
<b>SCHEDULE 10</b>		
<b>PROVISIONS</b>		
Provision for tax on distributed profits	1,739	1,739
Provision for Compensated absences	4,864	6,234
Provision for unexpired warranty	7,931	10,859
Provision for taxes (Net of advance tax ₹ 65,972 thousand during the current year)	4,673	-
	<b>19,207</b>	18,832

\* The said fund will be credited with the amounts outstanding and unclaimed on the respective due dates.

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010**

	Year ended 31.03.10 ₹'000'	Year ended 31.03.09 ₹'000'
<b>SCHEDULE 11</b>		
<b>OTHER INCOME</b>		
Dividend	6,357	819
Interest *		
- On deposits	464	234
- Others	3,565	6,853
Bad and doubtful debts recovered	1,635	811
Provision for diminution in value of Investments written back	1,066	-
Profit on sale of long term investments	141	-
Profit on sale of current Investments	4,958	1,456
Miscellaneous Income	8,836	6,319
Foreign exchange gain	-	18,731
	<b>27,022</b>	<b>35,223</b>
* Tax deducted at source ₹ 63 thousand, previous year ₹ 40 thousand.		
<b>SCHEDULE 12</b>		
<b>COST OF PRODUCTION</b>		
Materials consumed:		
Stocks as at the commencement of the year	189,505	160,663
Add: Purchases during the year	719,688	795,147
	<b>909,193</b>	<b>955,810</b>
Less: Stocks as at the close of the year	160,569	189,505
	<b>748,624</b>	<b>766,305</b>
Employee costs:		
- Wages	32,168	33,980
- Contribution to provident and other funds	2,179	2,170
Labour charges	133,717	109,806
Power and fuel	80,541	76,252
Stores and spares consumed	67,759	79,799
(Increase)/Decrease in stock of finished goods and work in progress	35,506	19,178
	<b>1,100,494</b>	<b>1,087,490</b>



## SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

	Year ended 31.03.10 ₹'000'	Year ended 31.03.09 ₹'000'
<b>SCHEDULE 13</b>		
<b>OPERATING EXPENSES</b>		
Employee costs:		
- Salaries and allowances	91,810	74,457
- Contribution to provident and other funds	9,554	7,539
- Staff welfare	12,965	11,028
Repairs and maintenance:		
- Plant and machinery	15,513	10,091
- Buildings	484	678
- Others	544	123
Insurance	4,602	4,101
Rent	7,086	6,962
Rates and taxes	3,523	3,170
	<b>146,081</b>	<b>118,149</b>
<b>SCHEDULE 14</b>		
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Royalty	7,514	6,710
Travel and conveyance	16,323	18,404
Communication	4,299	4,666
Bad debts written off	9,282	6,589
Provision for doubtful debts and advances	4,847	1,266
Provision for Warranty expenses	2,282	(3,907)
Advertisement and sales promotion	3,083	6,273
Commission	2,893	3,791
Legal and professional fees	14,439	8,793
Auditors' remuneration	2,359	2,287
Freight outward	17,343	13,822
Diminution in value of Investment	-	1,490
Foreign exchange loss	11,168	-
Loss on sale of fixed assets	459	934
Other expenses	21,783	22,098
	<b>118,074</b>	<b>93,216</b>
<b>SCHEDULE 15</b>		
<b>INTEREST AND FINANCIAL CHARGES</b>		
Interest	2,881	8,194
Financial charges	3,681	4,856
	<b>6,562</b>	<b>13,050</b>

## SCHEDULE 16: NOTES FORMING PART OF THE ACCOUNTS

### 1. Background

GMM Pfaudler Limited, formerly Gujarat Machinery Manufacturers Limited, ("the Company") was incorporated in India on November 17, 1962. The Company's manufacturing unit is located at Karamsad, Gujarat. The Company's principal activity is the manufacture of corrosion resistant glass-lined equipment used primarily in the chemical, pharmaceutical and allied industries. The Company also manufactures fluoro-polymer products and other chemical process equipment such as agitated nutsche filters, filter driers and wiped evaporators and Mixing systems.

The Company has entered into an investment and technical know-how agreement with Pfaudler Inc. USA ('Pfaudler') a Company incorporated in the United States of America, which owns 51 percent of the total issued share capital of the Company. The Company's ultimate holding Company is Robbins & Myers Inc, USA.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### a) Accounting convention

The financial statements are prepared under the historical cost convention using the accrual method of accounting, in accordance with generally accepted accounting principles in India, the Accounting Standards prescribed in the Companies (Accounting Standards) Rules, 2006 and the provisions of the Companies Act, 1956.

#### b) Use of Estimates:

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires the management to make estimates and assumptions that affect the reported balances of assets and liabilities as of the date of the financial statements and reported amounts of income and expense during the period. Management believes that the estimates used in preparation of financial statements are prudent and reasonable. Actual results could differ from the estimates.

#### c) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Cost includes all expenses related to the acquisition and installation of fixed assets.

Assets acquired under finance lease are capitalized at the lower of the fair value of the leased assets and the present value of the minimum lease payments as at the inception of the lease.

Depreciation is provided pro rata to the period of use, on the straight line method at the rates specified in Schedule XIV to the Companies Act, 1956.

Leasehold land and lease improvements are amortised equally over the period of lease.

#### d) Asset Impairment

The Company reviews the carrying values of tangible and intangible assets for any possible impairment at each balance sheet date. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. In assessing the recoverable amount, the estimated future cash flows are discounted to their present value based on appropriate discount rates.

#### e) Investments

(i) Investments are classified into long term and current investments.

(ii) Long-term investments including strategic investments are carried at cost. Provision for diminution, if any, in the value of each long-term investment is made to recognise a decline, other than of a temporary nature.

(iii) Current investments are stated at lower of cost and fair value and the resultant decline, if any, is charged to revenue.

#### f) Inventories

Inventories are stated at lower of cost and net realizable value. Cost is determined on the weighted average method and is net of CENVAT credits. Cost of work-in-progress and finished goods includes conversion cost and appropriate production overheads. Excise duty is provided on finished goods held in stock at the end of the year.

**g) Foreign Exchange Transactions**

Transactions in foreign currency are recorded at rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the period end exchange rates. Exchange gains/losses are recognized in the profit and loss account. Non monetary foreign currency items are carried at cost and expressed in Indian currency at the rate of exchange prevailing at the time of transactions.

**h) Revenue Recognition**

Sales of products and services are recognized on dispatch/delivery of the goods or when services are rendered, except large contracts, exceeding the Rupee equivalent of USD 1 million at the time of order receipt and the contract term is at least six months from contract signing through product delivery, which are recognized on percentage of completion basis. Sales are recorded net of trade discounts, sales tax and excise duties.

Dividend income is recognized when the right to receive the same is established.

Interest income is recognized on the time proportion method.

**i) Product Warranty Expenses**

Provision is made in the financial statements for the estimated liability on account of costs that may be incurred on products sold under warranty. The costs to be incurred for providing free service under warranty are determined based on past experience and are provided for in the year of sale.

**j) Employee Benefits**

Employee benefits in the form of provident fund, family pension fund and superannuation scheme which are defined contribution schemes are charged to the Profit and Loss account of the year when the contributions accrue.

The liability for Gratuity, a defined benefits scheme and provision for Leave Encashment is accrued and provided for in the accounts on the basis of actuarial valuation as at the year end.

Actuarial gains and losses comprising of experience adjustments and the effects of changes in actuarial assumptions are recognised in the Profit and Loss account for the year as income or expense.

**k) Provisions and Contingent Liabilities**

Provisions are recognised in the accounts in respect of present probable obligations, the amount of which can be reliably estimated.

Contingent Liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company.

**l) Taxation**

Tax expense comprises of both current and deferred tax.

Provision for current income tax is made on the basis of assessable income under the Income Tax Act, 1961.

Deferred income tax arising on account of timing differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods is accounted for by applying the income tax rates and laws enacted or substantially enacted on the Balance Sheet date. Deferred tax assets, other than un-absorbed tax losses and tax depreciation, subject to the consideration of prudence, are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

**m) Segment reporting**

The Accounting Policies adopted for segment reporting are in line with the Accounting Policies of the Company. Segment assets include all operating assets used by the business segments and consist principally of fixed assets, debtors and inventories. Segment liabilities include the operating liabilities that result from operating activities of the business segment. Assets and

Liabilities that cannot be allocated between the segments are shown as part of unallocated corporate assets and liabilities respectively. Income/Expenses relating to the enterprise as a whole and not allocable on a reasonable basis to business segments are reflected as unallocated corporate income/expenses.

### 3. CHANGE IN ACCOUNTING POLICY

The Company has changed its accounting policy for revenue recognition for large contracts, from recognition on completion basis to recognition on percentage of completion basis, with effect from April 1, 2009.

Large contracts for said purpose are contracts exceeding Rupee equivalent of USD 1 million at the time of order receipt and the contract term is at least six months from contract signing through product delivery.

This change has neither resulted in any change in revenue nor on profits for the year ended March 31, 2010.

### 4. INVESTMENTS

The Company has purchased and sold the following investments during the year:

Name of the investment	Current year		Previous year	
	No of Units	Amount ₹ '000	No of Units	Amount ₹ '000
Birla Freedom Fund - Dividend Cash Option	240,616	5,000,000	–	–
DSP Black Rock Tiger Fund Dividend Pay	317,420	5,000,000	–	–
HDFC Top 200 Fund - Dividend	187,037	7,125,000	–	–
DSP Black Rock Top 100 Equity Fund	328,515	6,000,000	–	–

### 5. SUNDRY DEBTORS

Sundry Debtors include the following amount due from a subsidiary company:

Name of Company	Maximum Balance	As at 31.03.10	As at 31.03.09
Mavag AG	3,705	3,705	1,333

### 6. LOANS AND ADVANCES

a. Advances to subsidiaries

	Maximum Balance during the year	Current Year	Previous Year
Karamsad Investments Ltd.	12,350	12,350	12,364
Karamsad Holding Ltd.	250	250	1,403
GMM Mavag AG	153,790	145,775	153,790

b. Deposits include earnest deposit of ₹ 961 thousand (Previous year ₹ 961 thousand) paid to Skyline Millars Limited (formerly Millars India Limited) and ₹ 10,703 thousand (Previous year ₹ 9,411 thousand) to Ready Mix Concrete Limited, being companies in which two directors of the Company are interested. Deposits given are for use of factory sheds under the lease agreements.

### 7. CURRENT LIABILITIES

Disclosure of sundry creditors under current liabilities is based on the information available with the company regarding the status of the suppliers as defined under the "Micro, Small and Medium Enterprises Development Act, 2006". Amount overdue as on March 31, 2010 to Micro, Small and Medium Enterprises on account of principal amount together with interest, aggregate to ₹ Nil (Previous year – ₹ Nil)

The information regarding micro, small and medium enterprises have been determined to the extent such parties have been identified on the basis of information available with the Company, which has been relied upon by the auditors.

**8. PROVISIONS**

	Opening Balance	Additions	Reversals	Closing Balance
Provision for compensated absences	6,234	–	1,369	4,865
Provision for unexpired warranty	10,860	692	3,619	7,933
<b>Total</b>	<b>17,094</b>	<b>692</b>	<b>4,988</b>	<b>12,798</b>

₹ '000'

**9. OPERATING LEASE**

The company's significant leasing arrangements are in respect of operating leases for factory shed/premises and guesthouse. These lease agreements, which are not non-cancellable, range up to 120 months and are usually renewable by mutual consent on mutually agreeable terms.

The total future minimum lease payments under non-cancelable operating lease are as under:

Period	As at 31.03.10	As at 31.03.09
Payable within one year	6,193	5,976
Payable later than one year and not later than five year	3,647	11,330

₹ '000'

**10. Deferred Tax Liability**

The break up of deferred tax liability arising due to the tax effect of timing differences between taxable income and accounting income, is as under

	As at 31.03.10 ₹ '000	As at 31.03.09 ₹ '000
<b>Deferred Tax Liability</b>		
Depreciation	45,468	48,323
Lease assets	102	132
	45,570	48,455
<b>Deferred tax assets</b>		
Technical know how fees	148	197
Provision for doubtful debts/advances	12,000	10,200
Provision for diminution in value of investments	150	513
	12,298	10,910
<b>Net deferred tax liability</b>	<b>33,272</b>	<b>37,545</b>

**11. CONTINGENT LIABILITIES**

	As at 31.03.10 ₹ '000	As at 31.03.09 ₹ '000
a) Claims against the Company not acknowledged as debts:		
i) Dispute relating to Cenvat Credit	3,913	4,100
ii) Disputed Income Tax demands	19,666	15,151
b) Guarantees issued by bank	135,942	176,450

## 12. CAPITAL COMMITMENTS

	As at 31.03.10	As at 31.03.09
	₹ '000	₹ '000
Estimated value of contracts remaining to be executed on capital account, to the extent not provided	12,467	7,802

13. Turnover includes sales commission ₹ Nil (previous year ₹ Nil thousand)

## 14. LICENSED AND INSTALLED CAPACITIES AND PRODUCTION

	Unit	Installed Capacity per annum		Production	
		As at 31.03.10	As at 31.03.09	Year Ended 31.03.10	Year Ended 31.03.09
1. Enameled acid alkali resistant chemical equipment consisting of					
a. Autoclaves suitable for 3.5 atmosphere working pressure having capacity up to 10,000 litres.	Liters (in'000)	6,000	6,000	3,397	3,611
b. Distilling plant varying in capacity from 100/1,000 to 5,000/10,000 litres					
c. Evaporating pans varying in capacity from 100 ltrs. to 20,000 litres, crystallizing pressure filters, valves and condensers.					
2. Mild Steel equipment such as reaction vessels, storage tanks, fractionation towers, driers, heat exchangers, condensers, ducting blenders and pressure vessels	MT	*	*	417	276
3. Stainless steel equipment such as reaction vessels, storage tanks, evaporating pans, absorption towers, fractionation towers, driers, heat exchangers, condensers, ducting blenders and pressure vessels.					
4. Fusion seamed products and Isostatic moulded products consist of					
a. Carbon Steel PTFE pipe	Mtr.	7,500	7,500	20	-
b. Dip pipe and sparger	Nos.	750	750	81	42

### Notes:

- (i) Licensed capacity is not applicable in terms of Government of India's Notification No. S.O.477 (E) dated 25th July,1991.
- (ii) Installed capacities have been certified by the management of the Company and not verified by the auditors.
- (iii) Installed capacities in respect of products not currently manufactured have not been given.
- (iv) Production quantities in items 2 and 4 include job orders subcontracted to third parties and broad-banding of installed capacities.
- (v) The installed capacity of Mild Steel equipments and Stainless steel equipment is not determined and therefore not included in the above table.



**15. INVENTORIES**

Items	Units	As at 31.03.10		As at 31.03.09		As at 31.03.08	
		Qty	"Value ₹ '000"	Qty	"Value ₹ '000"	Qty	"Value ₹ '000"
1. Enameled acid & alkali and chemical equipment	"Litres (in '000)"	2	3,461	96	14,850	10	1,832
2. Mild steel and stainless steel equipment	MT	7	1,988	3	5,493	6	3,563
3. Fusion seamed products and Isostatic moulded products							
- Carbon steel PTFE pipes	Meters	-	-	-	-	-	-
- Dip pipes and sparger	Nos.	-	-	-	-	-	-
4. Others			1,088		1,810		1,478
<b>Total</b>			<b>6,537</b>		<b>22,153</b>		<b>6,873</b>

**16. SALES**

Items	Units	As at 31.03.10		As at 31.03.09	
		Qty	"Value ₹ '000"	Qty	"Value ₹ '000"
1. Enameled acid & alkali and chemical equipment	"Litres (in '000)"	3,492	772,093	3,524	728,620
2. Mild steel and stainless steel equipment	MT	413	644,764	294	622,934
3. Fusion seamed products and Isostatic moulded products					
- Carbon steel PTFE pipes	Meters	20	339	-	-
- Dip pipes and sparger	Nos.	81	3,222	42	2,474
4. Others			124,366		112,782
<b>Total</b>			<b>1,544,784</b>		<b>1,466,810</b>

**17. RAW MATERIALS AND COMPONENTS CONSUMED**

Item	Unit	Year ended 31.03.10		Year ended 31.03.09	
		Qty	Value ₹ '000	Qty	Value ₹ '000
Mild Steel	MT	5,350	280,545	4,786	284,069
Stainless Steel, Brass and Copper	MT	413	69,511	294	66,272
Pipes	Meters	26,474	31,475	229,844	92,833
Teflon Powder	KG	8,775	4,470	5,954	3,088
Motors, Gears, Mechanical Seals		2897	113,993		86,759
Others			248,630		233,284
<b>Total</b>			<b>748,624</b>		<b>766,305</b>

**18. IMPORTED AND INDIGENOUS RAW MATERIALS (INCLUDING COMPONENTS) AND SPARES CONSUMED.**

Items	Year ended 31.03.10		Year ended 31.03.09	
	Percent	"Value ₹ '000"	Percent	"Value ₹ '000"
Raw materials (including components)				
- Imported (at landed cost)	7	49,989	3	25,754
- Indigenous	93	698,635	97	740,551
	<b>100</b>	<b>748,624</b>	<b>100</b>	<b>766,305</b>
Stores and spare parts				
- Imported (at landed cost)	1	267	1	701
- Indigenous	99	67,492	99	79,098
	<b>100</b>	<b>67,759</b>	<b>100</b>	<b>79,799</b>

**19. VALUE OF IMPORTS ON CIF BASIS**

	Year ended 31.03.10 ₹ '000	Year ended 31.03.09 ₹ '000
Raw material and components	76,203	74,784
Stores and spares	11,030	2,412
	<b>87,233</b>	<b>77,196</b>

**20. EXPENDITURE IN FOREIGN CURRENCY**

	Year ended 31.03.10 ₹ '000	Year ended 31.03.09 ₹ '000
Royalty	7,514	6,710
Foreign travel	1,977	4,859
Technical Services, Consultancy, Commission, etc.	9,468	13,134
	<b>18,959</b>	<b>24,703</b>

**21. DIVIDEND REMITTED IN FOREIGN CURRENCY**

	Year ended 31.03.10 ₹ '000	Year ended 31.03.09 ₹ '000
4 <sup>th</sup> Interim Dividend for 2007-08 on 74,54,400 Shares of ₹ 2/- each.		5,218
1 <sup>st</sup> Interim Dividend for 2008-09 on 74,54,400 Shares of ₹ 2/- each.		5,218
2 <sup>nd</sup> Interim Dividend for 2008-09 on 74,54,400 Shares of ₹ 2/- each.		5,218
3 <sup>rd</sup> Interim Dividend for 2008-09 on 74,54,400 Shares of ₹ 2/- each.		5,218
4 <sup>th</sup> Interim Dividend for 2008-09 on 74,54,400 Shares of ₹ 2/- each.	5,218	
1 <sup>st</sup> Interim Dividend for 2009-10 on 74,54,400 Shares of ₹ 2/- each.	5,218	
2 <sup>nd</sup> Interim Dividend for 2009-10 on 74,54,400 Shares of ₹ 2/- each.	5,218	
3 <sup>rd</sup> Interim Dividend for 2009-10 on 74,54,400 Shares of ₹ 2/- each.	5,218	
Number of (non-resident) shareholders	1	1

**22. EARNINGS IN FOREIGN CURRENCY**

	Year ended 31.03.10 ₹ '000	Year ended 31.03.09 ₹ '000
FOB value exports	60,736	122,984
Commission	7,235	-
	<b>67,971</b>	<b>122,984</b>

**23. AUDITORS REMUNERATION**

	Year ended 31.03.10 ₹ '000	Year ended 31.03.09 ₹ '000
Audit fees	1,300	1,100
Tax audit fees	125	125
Other services		
- Certification	550	655
- Consultation and management services	338	303
Reimbursement of out-of-pocket expenses	46	104
	<b>2,359</b>	<b>2,287</b>

**24. MANAGERIAL REMUNERATION**

	Year ended 31.03.10 ₹ '000	Year ended 31.03.09 ₹ '000
Salary and allowances	5,539	5,154
Provident and other funds	1,343	1,244
Perquisites (estimated monetary value)	164	291
Commission	4,864	3,600
	<b>11,910</b>	<b>10,289</b>

The Company has made an application to the central government for increasing the remuneration of the Managing Director. The remuneration for the current year includes a provision of ₹ 204 thousand payable to the Managing Director only after receipt of approval from the central government.

During the current year, the Company has paid ₹ 1,963 thousand as arrears of remuneration relating to the earlier financial years to the Managing Director and the same has not been included above. The above arrears are within the limit specified by Section 349 of the Companies Act, 1956.

**25. Computation of net profits in accordance with Section 349 of the Companies Act, 1956 and the remuneration payable to Managing Director and Executive Director**

	Year ended 31.03.10 ₹ '000	Year ended 31.03.09 ₹ '000
Profit before tax as per statement of profit and loss	167,253	157,522
Add: Managerial Remuneration	11,910	10,289
Directors' fees	310	355
Depreciation as per accounts	33,342	32,606
Provision for diminution in value of investment	(1,066)	1,490
Loss on foreign exchange fluctuation on loan to a subsidiary	8,015	–
Provision for doubtful debts/advances	4,847	1,266
	<b>224,611</b>	<b>203,528</b>
Less: Profit/(Loss) on sale of fixed assets as per books	(459)	(934)
Profit on sale of investments	4,958	1,456
Interest on Loan to a subsidiary company	2,993	–
Profit from sale of investment	141	–
Depreciation under Section 350	33,342	32,606
Net profit under Section 198 of the Companies Act, 1956	<b>183,636</b>	<b>170,400</b>
Remuneration payable @ 10% on the above	<b>18,364</b>	<b>17,040</b>
Managerial remuneration paid/payable to Managing Director and Executive Director	<b>11,910</b>	<b>10,289</b>

**26. EMPLOYEE BENEFITS**

The amounts recognised in the company's financial statements as at the year end are as under:

**Gratuity:**

	As at 31.03.10 (₹ '000)	As at 31.03.09 (₹ '000)
<b>a Assumptions :</b>		
Discount Rate	8.50%	7.00%
Rate of Return on Plan Assets	8.50%	7.00%
Salary Escalation	6.00%	6.00%
<b>b Table showing changes in Benefit Obligation:</b>		
Liability at the beginning of the year	34,227	27,220
Interest cost	2,396	2,178
Current service cost	2,013	1,698
Benefit paid	(3,867)	(6,265)
Actuarial (gain)/loss on obligations	2,784	9,396
<b>Liability at the end of the year</b>	<b>37,553</b>	<b>34,227</b>
<b>c Change in Plan Assets:</b>		
Fair value of Plan Assets at the beginning of the year	38,897	39,789
Expected Return on Plan Assets	2,722	3,183
Contributions	1,027	1,727
Benefit Paid	(3,867)	(6,265)
Actuarial gain/(loss) on Plan Assets	760	464
<b>Fair value of Plan Assets at the end of the year</b>	<b>39,539</b>	<b>38,897</b>
Total Actuarial Gain/(Loss) to be recognised	<b>(2,023)</b>	<b>(8,932)</b>

	As at 31.03.10 (₹ '000)	As at 31.03.09 (₹ '000)
<b>d Actual Return on Plan Assets:</b>		
Expected Return on Plan Assets	2,723	3,183
Actuarial gain/(loss) on Plan Assets	760	464
<b>Actual Return on Plan Assets</b>	<b>3,483</b>	<b>3,647</b>
<b>e Amount Recognised in the Balance Sheet:</b>		
Liability at the end of the year	37,552	34,227
Fair value of Plan Assets at the end of the year	39,538	38,897
Difference	<b>(1,986)</b>	<b>(4,670)</b>
<b>Amount Recognised in the Balance Sheet</b>	<b>(1,986)</b>	<b>(4,670)</b>
<b>f Expenses Recognised in the Income Statement</b>		
Current Service cost	2,013	1,698
Interest Cost	2,396	2,178
Expected return on Plan Assets	<b>(2,723)</b>	<b>(3,183)</b>
Net Actuarial (gain) / loss to be recognised	2,023	8,932
<b>Expense Recognised in P&amp;L</b>	<b>3,709</b>	<b>9,625</b>
<b>g Balance Sheet Reconciliation</b>		
Opening Net Liability	<b>(4,669)</b>	<b>(12,568)</b>
Expenses as above	3,709	9,625
Employers Contribution	<b>(1,026)</b>	<b>(1,727)</b>
<b>Amount Recognised in Balance Sheet</b>	<b>(1,986)</b>	<b>(4,670)</b>
<b>h Other Details</b>		
Gratuity is payable at the rate of 15 days salary for each year of service subject to a maximum of ₹ 350 thousand		
Salary escalation is considered as advised by the company which is in line with the industry practice considering promotion and demand and supply of the employees.		

**27. BASIC AND DILUTED EARNING PER SHARE**

	Year ended 31.03.10 ₹ '000	Year ended 31.03.09 ₹ '000
(a) Net profit for the year available to equity shareholders after Prior Period Tax Adjustment	110,576	102,274
Weighted average number of Equity Shares during the year	14,617,500	14,617,500
(b) Face value of Equity Share in ₹	2	2
(c) Basic and diluted earnings per share	7.56	7.00

## 28. RELATED PARTY DISCLOSURES

### (l) List of Related parties

#### a) Parties where control exists:

- |                              |   |   |
|------------------------------|---|---|
| (i) Ultimate Holding Company | : | Robbins & Myers Inc.  |
| (ii) Holding Company:        | : | Pfaudler Inc.   |
| (iii) Subsidiary Companies:  | : | Karamsad Holdings Limited<br>Karamsad Investments Limited<br>GMM Mavag AG<br>Mavag AG |

#### (b) Related parties with whom transactions have taken place during the year:

- |  |   |  |
|--|---|--|
| (i) Fellow Subsidiaries:   | : | Pfaudler Werke GMBH<br>Pfaudler Balfour Ltd.<br>Edlon PSI Inc.<br>Chemineer Inc.<br>Suzhou Pfaudler Glass Lined Equipment Company Limited<br>Robbins & Myers Singapore Private Limited<br>Glass Steel Parts and Services   |
| (ii) Key management personnel:   | : | Mr. Ashok J. Patel – Managing Director<br>Mr. Tarak A. Patel – Executive Director<br>Mr. Ashok C. Pillai – Chief Operating Officer   |
| (iii) Relative of Key management personnel:  | : | Mrs. Urmi A. Patel (wife of Mr. Ashok J. Patel)<br>Mrs. Uttara G. Gelhaus (Daughter of Mr. Ashok J. Patel)   |
| (iv) Enterprises over which persons in (b)(ii) or (b)(iii) are able to exercise significant influence. | : | Skyline Millars Limited<br>Glass Lined Equipment Company Limited<br>Ready Mix Concrete Limited<br>Dietrich Engineering Consultants India Private Limited<br>J. V. Patel & Co.<br>Unifrax India Limited<br>SKF India Limited<br>Siemens Limited<br>Bayer Material Science Private Limited |



28. Related Party Disclosures (Continued)

(II) Transactions with related parties

(₹ '000)

Transaction	Ultimate Holding Company		Holding Company		Subsidiary Companies		Fellow Subsidiaries		Key Mgmt. Personnel		Relative of Key Mgmt. Personnel		Other Related Parties	
	31.03.10	31.03.09	31.03.10	31.03.09	31.03.10	31.03.09	31.03.10	31.03.09	31.03.10	31.03.09	31.03.10	31.03.09	31.03.10	31.03.09
Purchase of goods	-	-	199	-	14,705	3,128	6,003	1,874	-	-	-	-	2,363	927
Sale of goods	-	-	-	2,978	4,478	18,042	38,904	15,530	-	-	-	-	72,645	-
Purchase of fixed assets	-	-	-	-	-	-	-	-	-	-	-	-	10,815	-
Receiving of services	-	-	-	-	1,464	80	-	753	-	-	-	-	24,961	23,672
Royalty paid	-	-	7,514	6,710	-	-	-	-	-	-	-	-	-	-
Lease Rent paid	-	-	-	-	-	-	-	-	-	-	-	-	6,409	6,140
Remuneration paid	-	-	-	-	-	-	-	-	13,630	13,896	2,524	-	-	-
Interest received	-	-	-	-	3,135	5,775	-	-	69	100	-	-	-	-
Dividend paid	-	-	20,872	20,872	-	-	-	-	2,907	3,389	1,323	841	-	-
Deposit received back	-	-	-	-	1,167	-	-	-	-	-	-	-	-	16,000
Commission received on services provided	7,236	4,581	-	-	-	-	-	-	-	-	-	-	-	-
Reimbursement of expenses	-	926	-	-	-	-	-	12	-	-	-	-	772	-
<b>Balance outstanding as on March 31, 2010</b>														
Payables	-	-	11,736	7,276	832	2,703	6,004	8,452	5,621	4,448	331	210	6,168	5,516
Receivables	653	-	-	3,208	173,303	177,223	5,528	20,903	1,225	1,610	-	-	54,855	-
Deposit outstanding	-	-	-	-	-	-	-	-	-	-	-	-	11,664	10,372

28 (III) Significant Related Party Transactions are as under:

Nature of transactions		₹ '000	
		Year Ended 31.03.10	Year Ended 31.03.09
Purchase of goods	Mavag AG	14,705	3,128
	Pfaudler Werke GMBH	5,087	1,218
	Skyline Millars Limited	2,363	–
	Glass Lined Equip. Co. Ltd.	–	133
	Pfaudler Balfour Limited	–	15
Sale of goods	Mavag AG	–	18,042
	Pfaudler Werke GMBH	34,820	8,881
	Pfaudler Balfour Limited	–	4,693
	Pfaudler Inc.	–	2,978
	Bayer Material Science Pvt. Ltd.	72,645	–
	Suzoh Pfaudler	–	1,956
Purchase of capital goods	Siemens Limited	6,620	–
	Skyline Millars Limited	2,249	–
Receiving Services	Ready Mix Concrete Limited	12,733	12,784
	Glass Lined Equip. Co. Ltd.	9,011	5,836
	Skyline Millars Limited	3,218	5,023
	Pfaudler Balfour Limited	–	715
Lease rent paid	Skyline Millars Limited	4,721	4,678
	Ready Mix Concrete Limited	1,688	1,444
Royalty paid	Pfaudler Inc.	7,514	6,710
Remuneration paid	Mr. Ashok J. Patel	9,386	7,975
	Mr. Ashok Pillai	4,247	3,607
	Mr. Tarak A. Patel	2,524	2,314
Interest Received	GMM Mavag AG	3,135	5,775
Dividend paid	Pfaudler Inc.	20,872	20,872
	Mr. Ashok J. Patel	2,907	2,905

28 (III) Significant Related Party Transactions are as under: (contd.)

Nature of transactions		Year Ended 31.03.10	Year Ended 31.03.09
			₹ '000
Commission on services provided	Robbins & Myers Inc.	7,236	4,581
Reimbursement of claim/expenses	Robbins & Myers Inc.	926	926
	Ready Mix Concrete Limited	772	-
Refund of advances	Karamsad Holdings Limited	1,153	-
<b>Balances outstanding as on March 31, 2010</b>			
Payables	Pfudler Inc.	11,736	7,276
	Pfudler Balfour Limited	5,356	6,186
	Skyline Millars Limited	3,249	-
	Mr. Ashok J. Patel	5,621	4,326
	Pfudler Werke GMBH	-	960
Receivables	GMM Mavag AG	160,133	162,122
	Bayer Material Science Pvt. Ltd.	54,855	-
	Pfudler Balfour Limited	-	16,534
Deposit outstanding	Ready Mix Concrete Limited	10,703	9,411
	Karamsad Investments Pvt. Ltd.	12,350	-
	Skyline Millars Limited	-	961

## 29. SEGMENT REPORTING

### (a) Primary segment reporting by business segment

(₹ '000')

Particulars	Chemical Processing Equipment		Mixing Systems		Filtration/Separation Equipment & Others		Total	
	31.03.10	31.03.09	31.03.10	31.03.09	31.03.10	31.03.09	31.03.10	31.03.09
Year Ended								
Revenue:								
Total External Sales	1,279,296	1,277,660	162,901	83,101	102,587	106,049	1,544,784	1,466,810
Segment Results:								
Profit/(Loss) Before Tax and Interest	185,889	165,479	18,444	8,819	7,101	8,027	211,434	182,325
Unallocated Income/(Expense) (Net)							(37,619)	(11,753)
Less: Interest							6,562	13,050
Profit Before Tax							167,253	157,522
Taxes							52,827	55,248
Net Profit After Tax							114,426	102,274
Segment Assets	783,331	874,442	86,585	43,775	61,319	48,036	931,235	966,253
Unallocated Assets							399,762	402,053
Total Assets							1,330,997	1,368,306
Segment Liabilities	292,139	406,765	43,450	28,548	24,427	35,389	360,016	470,702
Unallocated Liabilities							51,530	40,843
Total Liabilities							411,546	511,545
Capital Expenditure	15,957	10,973					15,957	10,973
Unallocated Capital Expenditure							3,129	24,475
Depreciation	28,943	28,304	333	326	1,399	1,368	30,675	29,998
Unallocated depreciation							2,667	2,608

**29. SEGMENT REPORTING (Continued)**

**(b) Secondary segment reporting by geographical segment:**

Particulars	Within India		Outside India		Total	
	31.03.10	31.03.09	31.03.10	31.03.09	31.03.10	31.03.09
Revenue	<b>1,484,048</b>	1,343,826	<b>60,736</b>	122,984	<b>1,544,784</b>	1,466,810

(₹'000)

**Notes:**

- 1) The Business segments have been identified in line with the Accounting Standard 17 on "Segment Reporting", taking into account the nature of product, the nature of manufacturing process, the class of customers, the organization structure and the internal financial reporting system.
- 2) Segment revenue, results, assets and liabilities include amounts that are directly attributable to the respective segments. Amounts not directly attributable have been allocated to the segments on the best judgment of the management in the absence of detailed internal financial reporting system. Expenses not directly allocable to the segments are treated as "Unallocated Expenses".

**30. HEDGING CONTRACTS**

Un-hedged foreign currency exposures as at the year end:

(₹'000)

	Year ended 31.03.10		Year ended 31.03.09	
	Receivable	Payable	Receivable	Payable
- US Dollar	57	11	498	325
- Euro	15	10	217	15
- GBP	37	66	56	2
- CHF	<b>3,833</b>	<b>40</b>	3,722	6

31. Prior year's figures have been regrouped where necessary.

**32. Additional Information as required under part IV of schedule VI to the Companies Act, 1956**

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**(a) Registration details**

Registration number	:	1,171
State code	:	04
Balance sheet date	:	<b>March 31, 2010</b>

**(b) Capital raised during the year**

Public issue	:	NIL
Right issue	:	NIL
Bonus issue	:	NIL
Private Placement	:	NIL

**(c) Position of mobilization and deployment of funds ₹ in 000**

Total Liabilities	:	952,723
Total Assets	:	952,723

**Sources of funds**

Paid-up Capital	:	29,235
Reserve and surplus	:	890,216
Secured Loans	:	–
Deferred Tax Liability	:	33,272

**Application of funds**

Net fixed assets	:	288,254
Investments	:	119,477
Net Current Assets	:	544,992
Miscellaneous Expenditure	:	–

**(d) Turnover**

Total Expenditure (net of other income)	:	1,544,784
Profit/(Loss) before tax	:	1,377,531
Profit/(Loss) after tax (after prior period)	:	167,253
Earning per share in ₹	:	7.56
Dividend rate %	:	140%

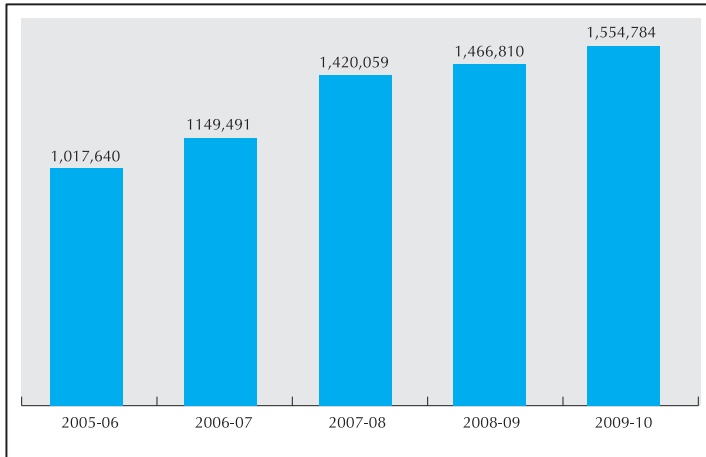
**(e) Generic names of the three principal product/services of the company**

Item Code no. (ITC Code)	:	8419
Product Description	:	Glasslined equipment and Wiped film evaporators
Item Code No. (ITC Code)	:	390460
Product Description	:	Fluro—polymer Products
Item Code No. (ITC Code)	:	8421
Product Description	:	Nutsche Filters

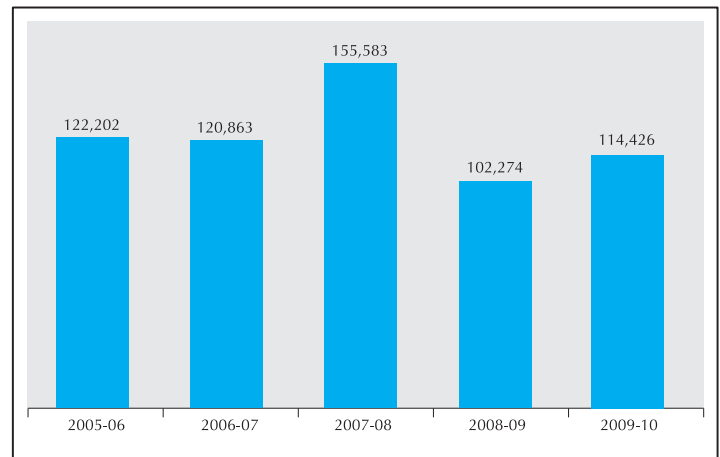


**5- YEARS FINANCIAL HIGHLIGHTS 2005-2006 TO 2009-2010**

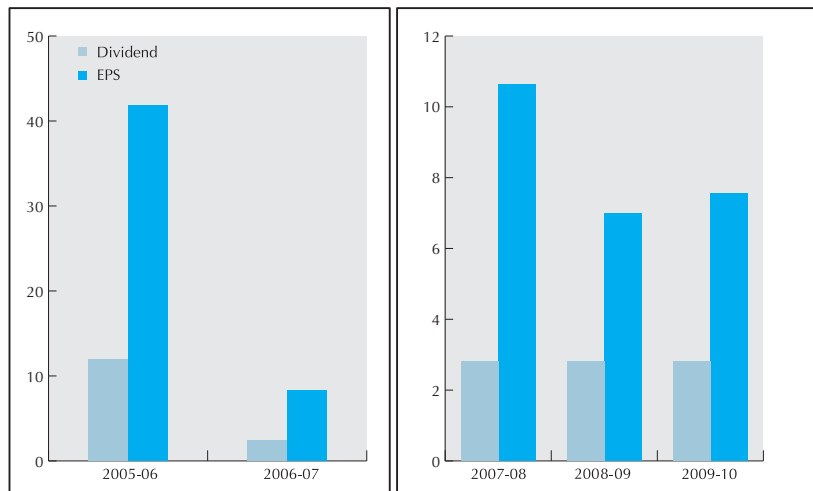
**Income from Operation (₹ '000')**



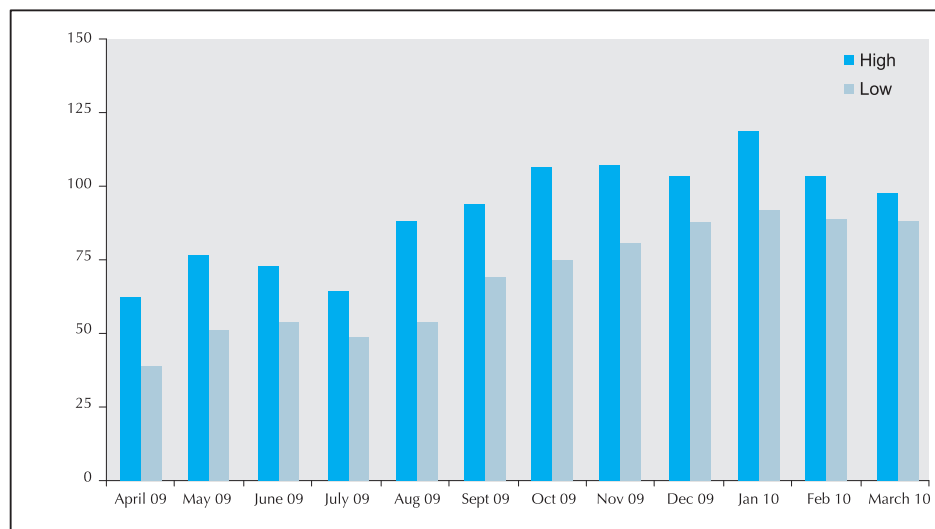
**Profit After Tax (₹ '000')**



**Dividends (₹) & Earning per share (₹)**



**Market Price (₹)**



## REPORT OF THE AUDITORS

### THE BOARD OF DIRECTORS OF GMM PFAUDLER LIMITED

1. We have examined the attached Consolidated Balance Sheet of GMM Pfaudler Limited and its subsidiaries as at March 31, 2010 and the Consolidated Profit and Loss Account and Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of GMM Pfaudler Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiary companies, whose financial statements reflect the group's share of total assets of ₹ 402,321 thousand as at March 31, 2010, the group's share of total revenues of ₹ 422,253 thousand and net cash inflows amounting of ₹ 2,838 thousand for the year then ended on that date. These financial statements have been audited / subjected to a limited statutory examination as per applicable local laws by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard 21 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India, on the basis of the separate audited financial statements of GMM Pfaudler Limited and its subsidiaries included in the consolidated financial statements.
5. Based on the audit and on consideration of the reports of other auditors on separate financial statements and to the best of our information and explanations given to us, in our opinion the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the group as at March 31, 2010;
  - b) in the case of Consolidated Profit and Loss Account, of the consolidated results of operations of the group for the year ended on that date ; and
  - c) in the case of the Consolidated Cash Flows Statement, of the consolidated cash flows of the group for the year then ended.

For and on behalf of  
**KALYANIWALLA & MISTRY**  
CHARTERED ACCOUNTANTS  
FIRM REGISTRATION NO. 104607W

**VINAYAK M. PADWAL**  
PARTNER  
M. No. F 49639  
Mumbai; July 27, 2010

**GMM PFAUDLER LIMITED**

Annual Report 2009 - 2010

**CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010**

	Schedule	As at 31.03.10 ₹'000'	As at 31.03.09 ₹'000'
<b>SOURCES OF FUNDS</b>			
<b>1 Shareholders' Funds</b>			
Share Capital	1	29,235	29,235
Reserves & Surplus	2	909,754	859,826
		<b>938,989</b>	889,061
<b>2 Deferred Tax Liability</b>		<b>37,809</b>	37,545
		<b>976,798</b>	926,606
<b>APPLICATION OF FUNDS</b>			
<b>3 Goodwill on Consolidation</b>		<b>74,806</b>	80,294
<b>4 Fixed Assets</b>	3		
Gross Block		655,525	627,520
Less: Depreciation		354,459	316,725
Net Block		301,066	310,795
Capital Work-in-progress		7,732	4,189
		<b>308,798</b>	314,984
<b>5 Investments</b>	4	<b>79,025</b>	73,164
<b>6 Current Assets, Loans and Advances</b>			
Inventories	5	572,387	621,464
Sundry Debtors	6	327,459	343,874
Cash and Bank Balances	7	84,685	80,544
Loans and Advances	8	50,112	69,213
		<b>1,034,643</b>	1,115,095
<b>Less: Current Liabilities and Provisions</b>			
Liabilities	9	496,977	616,749
Provisions	10	23,497	40,182
		<b>520,474</b>	656,931
Net Current Assets		<b>514,169</b>	458,164
		<b>976,798</b>	926,606
Notes to Accounts	16		

The Schedules referred to above form an integral part of the Balance Sheet.  
As per our report attached.

For and on behalf of  
**KALYANIWALLA & MISTRY**  
Chartered Accountants

**Vinayak M. Padwal**  
Partner

M. No. F 49639  
Mumbai, July 27, 2010

**Vaibhav Bakhare**  
Company Secretary

Mumbai, July 27, 2010

Signatures to Consolidated Balance Sheet and  
Schedules 1 to 10 and 16  
For and on behalf of the Board

**P. Krishnamurthy**  
**A. J. Patel**  
**Dr. S. Sivaram**  
**Darius C. Shroff**  
**Tarak Patel**  
**A. N. Mohanty**

Chairman  
Managing Director  
Director  
Director  
Executive Director  
Financial Controller

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

	Schedule	Year ended 31.03.10 ₹'000'	Year ended 31.03.09 ₹'000'
<b>INCOME</b>			
Turnover (Gross)		2,039,457	2,165,702
Less: Excise Duty		101,910	141,402
Turnover (Net)		1,937,547	2,024,300
Other Income	11	32,729	29,841
		<b>1,970,276</b>	<b>2,054,141</b>
<b>EXPENDITURE</b>			
Cost of production	12	1,465,292	1,558,531
Operating expenses	13	162,590	141,420
Selling, general and administrative expenses	14	142,883	131,904
Depreciation and amortisation		39,517	41,081
Interest and Financial Charges	15	7,844	16,977
		<b>1,818,126</b>	<b>1,889,913</b>
<b>PROFIT BEFORE TAXATION</b>		<b>152,150</b>	<b>164,228</b>
Provision for Taxation			
Current		60,132	54,513
Deferred		(4,273)	(62)
Fringe Benefit Tax		–	2,210
<b>NET PROFIT FOR THE YEAR AFTER TAXATION</b>		<b>96,291</b>	<b>107,567</b>
Prior year's adjustment for taxation		1,587	–
<b>NET PROFIT FOR THE YEAR</b>		<b>94,704</b>	<b>107,567</b>
Surplus brought forward		545,181	498,270
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>		<b>639,885</b>	<b>605,837</b>
<b>APPROPRIATIONS:</b>			
Interim Dividend		40,929	40,929
Tax on distributed profit		6,956	6,956
Transfer to General Reserve		11,058	12,771
Surplus carried forward		580,942	545,181
		<b>639,885</b>	<b>605,837</b>
Basic and diluted earnings per share of ₹ 2 each (₹)		<b>6.48</b>	7.36
<b>Notes to accounts</b>	16		

The Schedules referred to above form an integral part of the Balance Sheet.  
As per our report attached.

For and on behalf of  
**KALYANIWALLA & MISTRY**  
Chartered Accountants

**Vinayak M. Padwal**  
Partner

M. No. F 49639  
Mumbai, July 27, 2010

**Vaibhav Bakhare**  
Company Secretary

Mumbai, July 27, 2010

Signatures to Consolidated Profit and Loss Account  
and Schedules 11 to 16  
For and on behalf of the Board

**P. Krishnamurthy**  
**A. J. Patel**  
**Dr. S. Sivaram**  
**Darius C. Shroff**  
**Tarak Patel**  
**A. N. Mohanty**

Chairman  
Managing Director  
Director  
Director  
Executive Director  
Financial Controller

**STATEMENT OF CONSOLIDATED CASH FLOW FOR THE YEAR ENDED MARCH 31, 2010**

	Year ended 31.03.10 ₹ '000'	Year ended 31.03.09 ₹ '000'
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	152,150	164,228
Adjustments to reconcile profit before tax to cash provided by operations		
Depreciation	39,160	41,081
Net (gain)/loss on sale of fixed assets	459	934
Net (gain)/loss on sale of Investment	(6,487)	(1,456)
Interest income	(3,838)	(1,471)
Interest expense	7,831	16,977
Dividend Income	(10,864)	(819)
Provision for doubtful debts, liquidated damages and advances	4,610	1,611
Diminution in value of investment provided/(written back)	(1,066)	1,490
Unrealised foreign exchange fluctuation loss/(gain)	6,946	(11,847)
Operating profit before working capital changes	188,901	210,728
Adjustments for:		
Inventories	50,476	(84,250)
Trade and other receivables	7,998	133,596
Trade payables and other liabilities	(112,198)	70,371
Cash generated from operations	135,177	330,445
Direct Taxes paid	(56,097)	(55,065)
Net cash from/(used in) operating activities	79,079	275,380
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(35,432)	(43,117)
Proceeds from sale of assets	218	2,609
Purchase of investments	(54,136)	(36,418)
Proceeds from sale of investments	55,070	13,956
Interest received	3,838	1,471
Dividend received	10,864	819
Net cash from/(used in) investing activities	(19,578)	(60,679)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of borrowings	-	(106,814)
Interest paid	(7,831)	(16,976)
Dividend paid	(40,573)	(40,708)
Tax on distributed profits	(6,956)	(6,956)
Net cash (used in)/from financing activities	(55,360)	(171,454)
<b>NET INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>4,141</b>	<b>43,247</b>
Cash and Cash equivalents, beginning of the year	80,544	37,297
Add: Cash acquired on acquisition of subsidiaries	-	-
Cash and Cash equivalents, end of the year	84,685	80,544

Note: The company has been sanctioned credit facilities for working capital of ₹1,700 lacs, of which facilities utilised as on March 31, 2010 were ₹ NIL.

As per our report attached.

For and on behalf of  
**KALYANIWALLA & MISTRY**  
Chartered Accountants

**Vinayak M. Padwal**  
Partner

M. No. F 49639  
Mumbai, July 27, 2010

**Vaibhav Bakhare**  
Company Secretary

Mumbai, July 27, 2010

For and on behalf of the Board

**P. Krishnamurthy**  
**A. J. Patel**  
**Dr. S. Sivaram**  
**Darius C. Shroff**  
**Tarak Patel**  
**A. N. Mohanty**

Chairman  
Managing Director  
Director  
Director  
Executive Director  
Financial Controller

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010

	As at 31.03.10 ₹'000'	As at 31.03.09 ₹'000'
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
Authorised:		
25,000,000 Equity shares of ₹ 2 each	<b>50,000</b>	50,000
Issued, Subscribed and Paid-up:		
14,617,500 Equity shares of ₹ 2 each fully paid	<b>29,235</b>	29,235
	<b>29,235</b>	29,235
Of the above shares:		
7,454,400 Equity shares are held by Pfaudler Inc. USA, the holding company.		
122,400 Equity Shares have been issued for consideration other than cash.		
8,586,500 Equity shares have been issued as bonus shares, by capitalisation of reserves and share premium account.		
<b>SCHEDULE 2</b>		
<b>RESERVES AND SURPLUS</b>		
Capital Reserve		
Balance as per last balance sheet	<b>17</b>	17
Cash Subsidy Reserve		
Balance as per last Balance Sheet	<b>695</b>	695
Share Premium Account		
Balance as per last Balance Sheet	<b>149,284</b>	149,284
Foreign Exchange Translation Reserve	<b>12,852</b>	23,413
General Reserve		
Balance as per last Balance Sheet	<b>154,906</b>	128,465
Transfer from Profit and Loss account	<b>11,058</b>	12,771
	<b>165,964</b>	141,236
Profit and Loss Account	<b>580,942</b>	545,181
	<b>909,754</b>	859,826

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010

SCHEDULE 3  
FIXED ASSETS

ASSETS	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As on 01.04.09	Additions	Deductions	As on 31.03.10	Upto 01.04.09	For the Year	On Deductions	As on 31.03.10	As on 31.03.09
Freehold land	2,316	-	-	2,316	-	-	-	2,316	2,316
Leasehold land	1,154	-	-	1,154	424	12	-	718	730
Lease improvement	5,642	-	-	5,642	2,452	615	-	2,575	3,190
Buildings	130,170	2,852	-	133,022	32,009	3,032	-	97,981	98,161
Plant & machinery	435,475	24,027	1,602	457,900	260,713	30,120	1,117	289,716	174,762
Furniture & Fixtures	23,175	294	11	23,458	10,975	1,303	-	11,180	12,200
Vehicles	29,588	3,129	684	32,033	10,152	4,078	309	13,921	19,436
Total	627,520	30,302	2,297	655,525	316,725	39,160	1,426	354,459	310,795
Previous Year Total	589,106	45,952	7,538	627,520	279,640	41,081	3,995	316,726	-
Capital work-in-progress								7,732	4,189
								308,798	314,984



## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010

### SCHEDULE 4 INVESTMENTS

	Face value Rupees	Number		Cost	
		As At 31.03.10	As At 31.03.09	As At 31.03.10 ₹ '000	As At 31.03.09 ₹ '000
<b>1. Long Term Investments (Fully paid)</b>					
<b>(a) Trade Investments</b>					
<b>Quoted Equity shares</b>					
Abbott India Ltd.	10	100	100	5	5
BASF India Ltd.	10	245	245	12	12
Bayer (India) Ltd.	10	50	50	4	4
Ciba Speciality Chemicals (India) Ltd.	10	35	35	–	–
Clariant Chemical India - (Formerly Colour Chem Ltd.)	10	50	50	3	3
Dharamshi Morarji Chemicals Co. Ltd.	10	100	100	4	4
Excel Crop Care Ltd.	5	112	112	–	–
Excel Industries Ltd.	5	112	112	10	10
Futura Polyester Ltd (Formerly Indian Organic Chemicals Ltd.)	10	100	100	1	1
Glaxo Smithkline Pharmaceuticals Ltd.	10	122	122	7	7
Gujarat Heavy Chemicals Ltd.	10	100	100	2	2
Gujrat Glass Ltd.	10	19	19	–	–
Hico Products Ltd.	10	625	625	6	6
IDI Ltd.	10	66	66	3	3
Kansai Nerolac Paints Ltd.	10	333	333	10	10
Kojam Fininvest Ltd.	10	19	19	–	–
Nestle India Ltd.	10	93	93	6	6
Piramal Healthcare Ltd. (Formerly Nicholas Piramal India Ltd.)	2	390	390	–	–
Novartis (India) Ltd.	5	70	70	7	7
Peninsula Land Ltd.	2	1,040	208	4	4
Pfizer Ltd.	10	135	135	11	11
Shubh Shanti Services Ltd.	10	39	25	–	–
SI Group - India Ltd (Formerly Herdillia Chemicals Ltd.)	10	50	50	5	5
Syngenta India Ltd.	5	–	70	–	–
Tata Chemicals Ltd.	10	161	161	7	7
United Phosphorus Ltd.	2	3,750	3,750	405	405
Wyeth Ltd.	10	50	50	6	6
				<b>518</b>	518
Less:- Provision for diminution in the value of Investments				–	19
				<b>518</b>	499

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010

SCHEDULE 4  
INVESTMENTS (Continued)

	Face value Rupees	Number		Cost	
		As At 31.03.10	As At 31.03.09	As At 31.03.10 ₹ '000	As At 31.03.09 ₹ '000
<b>(b) Other Investments</b>					
<b>Quoted Equity Shares</b>					
Skyline Millars Ltd (Formerly Millars India Ltd.) (a company under the same management)	1	1,406,000	140,600	1,933	1,933
Nile Ltd.	10	620,095	620,095	30,328	32,123
				32,261	34,056
<b>Unquoted Non convertible debentures</b>					
Hico Products Ltd.	150	125	125	–	–
				32,779	34,555
<b>(c) Unquoted Shares in Co-operative Societies</b>					
Karamsad Urban Co-op. Bank Ltd.	10	1,200	1,200	12	12
Charotar Gas Sahakari Mandli Ltd	500	10	500	5	5
				17	17
<b>2. Current Investments</b>					
<b>Unquoted Mutual Funds</b>					
<b>Acquired during the year:</b>					
Prudential ICICI Fusion Fund Series - II Retail Growth	10		366,269		3,663
HDFC Fixed Maturity Plan Series VIII	10		1,000,000		10,000
Kotak FMP 12M Series 7	10		1,000,000		10,000
HSBC Income Fund - Short Term Plan - Dividend	10	429,193	414,389	4,622	4,461
23 ICICI Prudential Short Term Plan - Dividend Reinvest	10	577,609	550,595	6,307	5,990
DSPML Short Term Fund Monthly - Dividend	10	578,969	562,640	6,143	5,968
Birla Sun Life MIP II - Savings 5 Plan - Monthly Dividend - Payout	10	1,101,863		12,550	–
Reliance MIP - Monthly Dividend Plan	10	1,116,032		17,050	–
				46,672	40,082
<i>Less: Provision for diminution in value of Investments</i>				443	1,490
				46,229	38,592
<b>Total Investments</b>				79,025	73,164
<b>Note: Aggregate book value of investments</b>					
Quoted				32,779	34,555
Unquoted				46,246	38,609
				79,025	73,164
Market value of quoted investments				86,526	29,382

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010

	As at 31.03.10 ₹'000'	As at 31.03.09 ₹'000'
<b>SCHEDULE 5</b>		
<b>INVENTORIES</b>		
(at lower of cost and net realisable value)		
Stores and spares	23,951	19,926
Raw materials	212,690	250,369
Work-in-progress	329,209	329,016
Finished goods	6,537	22,153
	<b>572,387</b>	<b>621,464</b>
<b>SCHEDULE 6</b>		
<b>SUNDRY DEBTORS</b>		
<b>(Unsecured and considered good)</b>		
Debts outstanding over six months		
- Considered good	22,428	32,716
- Considered doubtful	43,269	42,237
	<b>65,697</b>	<b>74,953</b>
Other debts		
- Considered good	305,032	311,158
- Considered doubtful	9,178	5,968
	<b>314,210</b>	<b>317,126</b>
Less : Provision for doubtful debts	52,448	48,205
	<b>327,459</b>	<b>343,874</b>
<b>SCHEDULE 7</b>		
<b>CASH AND BANK BALANCES</b>		
Cash and cheques on hand	282	681
Balances with banks		
- in current accounts	67,103	78,438
- in deposit accounts (under lien)	17,300	1,425
	<b>84,685</b>	<b>80,544</b>

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010**

	As at 31.03.10 ₹ '000'	As at 31.03.09 ₹ '000'
<b>SCHEDULE 8</b>		
<b>LOANS AND ADVANCES</b>		
<b>(Unsecured and considered good)</b>		
Advances recoverable in cash or in kind or for value to be received (including ₹ 4,797 thousand, previous year ₹ 4,797 thousand considered doubtful)	<b>32,079</b>	48,427
Deposits (including ₹ 1,473 thousand, previous year ₹ 1,473 thousand considered doubtful)	<b>20,469</b>	19,894
Balance with central excise authorities	<b>3,834</b>	6,611
Advance payment of taxes (Previous year Net of provision for tax ₹ 303,584 thousand)	<b>–</b>	551
	<b>56,382</b>	75,483
Less: Provision for doubtful advances/deposits	<b>6,270</b>	6,270
	<b>50,112</b>	69,213
<b>SCHEDULE 9</b>		
<b>CURRENT LIABILITIES</b>		
Sundry creditors		
- Outstanding dues of micro, small and medium enterprises	<b>665</b>	7,759
- Other creditors	<b>213,180</b>	222,961
Advances from customers	<b>184,445</b>	286,210
Investor Education and Protection Fund *		
- Unclaimed dividend	<b>1,757</b>	1,401
- Unclaimed matured deposits	<b>6</b>	6
Other liabilities	<b>86,692</b>	88,179
Interim dividend payable	<b>10,232</b>	10,233
	<b>496,977</b>	616,749
<b>SCHEDULE 10</b>		
<b>PROVISIONS</b>		
Provision for tax on distributed profits	<b>1,739</b>	1,739
Provision for compensated absences	<b>4,864</b>	6,234
Provision for unexpired warranty	<b>12,163</b>	32,209
	<b>23,497</b>	40,182
* The said fund will be credited with the amounts outstanding and unclaimed on the respective due dates.		

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010

	Year ended 31.03.10 ₹'000'	Year ended 31.03.09 ₹'000'
<b>SCHEDULE 11</b>		
<b>OTHER INCOME</b>		
Dividend	10,865	819
Interest *		
- Others	3,355	1,471
Bad and doubtful debts recovered	1,635	811
Provision for diminution on value of Investments written back	1,066	-
Profit on sale of Nile shares	1,531	-
Profit on sale of current Investments	4,958	1,456
Miscellaneous Income	8,836	6,319
Foreign exchange gain	-	18,731
	<b>32,729</b>	<b>29,841</b>
* Tax deducted at source ₹ 63 thousand, previous year ₹ 40 thousand.		
<b>SCHEDULE 12</b>		
<b>COST OF PRODUCTION</b>		
Materials consumed:		
Stocks as at the commencement of the year	250,369	218,144
Add: Purchases during the year	979,739	1,151,896
	<b>1,230,108</b>	<b>1,370,040</b>
Less: Stocks as at the close of the year	212,690	250,369
	<b>1,017,418</b>	<b>1,119,671</b>
Employee costs:		
Wages	235,359	214,582
Contribution to provident and other funds	2,179	27,711
Labour charges	133,717	109,806
Power and fuel	83,151	77,499
Stores and spares consumed	67,759	79,799
(Increase)/Decrease in stock of finished goods and work in progress	(74,291)	(70,537)
	<b>1,465,292</b>	<b>1,558,531</b>

### SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

	Year ended 31.03.10 ₹'000'	Year ended 31.03.09 ₹'000'
<b>SCHEDULE 13</b>		
<b>OPERATING EXPENSES</b>		
Employee costs:		
- Salaries and allowances	91,810	74,457
- Contribution to provident and other funds	9,554	7,539
- Staff welfare	12,965	11,028
Repairs and maintenance:		
- Plant and machinery	21,224	17,721
- Buildings	484	678
- Others	544	123
Insurance	6,200	6,099
Rent	16,286	20,605
Rates and taxes	3,523	3,170
	<b>162,590</b>	<b>141,420</b>
<b>SCHEDULE 14</b>		
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Royalty	7,514	6,710
Travel and conveyance	16,323	18,405
Communication	4,299	4,666
Bad debts written off	9,282	6,589
Provision for doubtful debts, advances and liquidated damages	4,847	1,266
Provision for warranty expenses	(14,339)	(3,907)
Advertisement and sales promotion	4,738	8,937
Commission	2,893	3,791
Legal and professional fees	14,513	8,812
Auditors' remuneration	2,379	2,307
Freight outward	17,343	13,822
Diminution on value of investments	-	1,490
Loss on sale of fixed assets	459	934
Other expenses	52,868	58,082
	<b>142,883</b>	<b>131,904</b>
<b>SCHEDULE 15</b>		
<b>INTEREST AND FINANCIAL CHARGES</b>		
Interest on cash credit, etc.	2,538	7,441
Other interest and financial charges	5,306	9,536
	<b>7,844</b>	<b>16,977</b>

## SCHEDULE 16: NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS

### 1. BASIS OF CONSOLIDATION:

The consolidated financial statements relate to GMM Pfaudler Ltd., the holding company and its wholly-owned subsidiaries (collectively referred to as Group). The consolidation of the accounts of the holding company with the subsidiaries is prepared in accordance with Accounting Standard (AS) 21 – ‘Consolidated Financial Statements’. The financial statements of the parent company and its subsidiaries are combined on line-by-line basis by adding together like items of assets, liabilities, income and expenses. The intra-group balances and intra-group transactions and unrealized profits or losses are fully eliminated.

In case of foreign subsidiaries, revenue items are consolidated at the average rate prevailing during the year. All the assets and liabilities are converted at the rates prevailing at the end of the year. Exchange gain/losses arising on conversion are recognized under Foreign Currency Translation Reserve.

### 2. The subsidiary companies considered in the consolidated financial statements are:

Sr. No.	Name of Company	Country of Incorporation	% of Holding	
			Current Year	Previous Year
1.	Karamsad Investments Limited	India	100%	100%
2.	Karamsad Holdings Limited	India	100%	100%
3.	GMM Mavag AG	Switzerland	100%	100%
4.	Mavag AG (subsidiary of GMM Mavag AG)	Switzerland	100%	100%

3. The financial statements of the subsidiary companies used in the consolidation are drawn up to the same reporting date as of the Holding Company, i.e., year ended March 31, 2010.

### 4. SIGNIFICANT ACCOUNTING POLICIES

#### a) Accounting convention

The financial statements are prepared under the historical cost convention using the accrual method of accounting, in accordance with generally accepted accounting principles in India, the Accounting Standards prescribed in the Companies (Accounting Standards) Rules, 2006 and the provisions of the Companies Act, 1956, as applicable.

#### b) Use of Estimates:

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires the management to make estimates and assumptions that affects the reported balances of assets and liabilities as of the date of the financial statements and reported amounts of income and expense during the period. Management believes that the estimates used in preparation of financial statements are prudent and reasonable. Actual results could differ from the estimates.

#### c) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Cost includes all expenses related to the acquisition and installation of fixed assets.

Assets acquired under finance lease are capitalized at the lower of the fair value of the leased assets and the present value of the minimum lease payments as at the inception of the lease.

Depreciation is provided pro rata to the period of use, on the straight line method at the rates specified in Schedule XIV to the Companies Act, 1956 in respect of the assets situated in India and on the written down value method at the rates prescribed under Swiss law in respect of the assets of the foreign subsidiaries. Moreover, the fixed assets of the foreign subsidiary have been consolidated at the written down value as on the date of acquisition as the particulars of the original cost and accumulated depreciation are not available. The value of fixed assets in the foreign subsidiary not being significant, there is no material impact on account of depreciation on the consolidated financial statements.

Leasehold land and lease improvements are amortised equally over the period of lease.

#### d) Asset Impairment

The Company reviews the carrying values of tangible and intangible assets for any possible impairment at each Balance Sheet date. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. In assessing

the recoverable amount, the estimated future cash flows are discounted to their present value based on appropriate discount rates.

**e) Investments**

- (i) Investments are classified into long term and current investments.
- (ii) Long-term investments are carried at cost. Provision for diminution, if any, in the value of each long-term investment is made to recognise a decline, other than of a temporary nature.
- (iii) Current investments are stated at lower of cost and fair value and the resultant decline, if any, is charged to revenue.

**f) Inventories**

Inventories are stated at lower of cost and net realizable value. Cost is determined on the weighted average method and is net of modvat credits. Cost of work-in-progress and finished goods includes conversion cost and appropriate production overheads. Excise duty is provided on finished goods held in stock at the end of the year.

**g) Foreign Exchange Transactions**

Transactions in foreign currency are recorded at rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the period end exchange rates. Exchange gains/losses are recognized in the Profit and Loss Account. Non monetary foreign currency items are carried at cost and expressed in Indian currency at the rate of exchange prevailing at the time of transactions.

The two foreign subsidiaries are treated as non-integral foreign operations for the purpose of consolidation. The revenue items of the said subsidiaries are translated at the average rate prevailing during the year and all the assets and liabilities are translated at the rates prevailing at the end of the year. Exchange gains/losses arising on translation are recognized under Foreign Currency Translation Reserve.

**h) Revenue Recognition**

Sales of products and services are recognized on dispatch/delivery of the goods or when services are rendered, except large contracts, exceeding the Rupee equivalent of USD 1 million at the time of order receipt and the contract term is at least six months from contract signing through product delivery, which are recognized on percentage of completion basis. Sales are recorded net of trade discounts, sales tax and excise duties.

Dividend income is recognized when the right to receive the same is established.

Interest income is recognized on the time proportion method.

**i) Product Warranty Expenses**

Provision has been made in the financial statements for the estimated liability on account of costs that may be incurred on products sold under warranty. The costs to be incurred for providing free service under warranty are determined based on past experience and are provided for in the year of sale.

**j) Employee Benefits**

Employee benefits in the form of provident fund, family pension fund and superannuation scheme which are defined contribution schemes are charged to the Profit and Loss Account of the year when the contributions accrue.

The liability for Gratuity, a defined benefits scheme and provision for Leave Encashment is accrued and provided for in the accounts on the basis of actuarial valuation as at the year end.

Actuarial gains and losses comprising of experience adjustments and the effects of changes in actuarial assumptions are recognised in the Profit and Loss Account for the year as income or expense.

**k) Provisions and Contingent Liabilities**

Provisions are recognised in the accounts in respect of present probable obligations, the amount of which can be reliably estimated.

Contingent Liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company.



**l) Taxation**

Tax expense comprise of both current and deferred tax.

Provision for current income tax is made on the basis of assessable income under the Income Tax Act, 1961.

Deferred income tax arising on account of timing differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods is accounted for by applying the income tax rates and laws enacted or substantially enacted on the Balance Sheet date. Deferred tax assets, other than unabsorbed tax losses and tax depreciation, subject to the consideration of prudence, are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

**m) Segment reporting**

The Accounting Policies adopted for segment reporting are in line with the Accounting Policies of the Company. Segment assets include all operating assets used by the business segments and consist principally of fixed assets, debtors and inventories. Segment liabilities include the operating liabilities that result from operating activities of the business segment. Assets and Liabilities that cannot be allocated between the segments are shown as part of unallocated corporate assets and liabilities respectively. Income/Expenses relating to the enterprise as a whole and not allocable on a reasonable basis to business segments are reflected as unallocated corporate income/expenses.

**5. CHANGE IN ACCOUNTING POLICY**

The Company has changed its accounting policy for revenue recognition for large contracts, from recognition on completion basis to recognition on percentage of completion basis, with effect from April 1, 2009.

Large contracts for said purpose are contracts exceeding Rupee equivalent of USD 1 million at the time of order receipt and the contract term is at least six months from contract signing through product delivery.

This change has neither resulted in any change in revenue nor on profits for the year ended March 31, 2010.

**6. LOANS AND ADVANCES**

Deposits include earnest deposit of ₹ 961 thousand (Previous year ₹ 961 thousand) paid to Skyline Millars Limited and ₹ 10,703 thousand (Previous year ₹ 9,411 thousand) to Ready Mix Concrete Limited, being companies in which two directors of the Company are interested. Deposits given are for use of factory sheds under the lease agreements.

**7. PROVISIONS**

	₹ '000			
	Opening Balance	Additions	Reversals	Closing Balance
Provision for compensated absences	6,234	–	1,370	4,864
Provision for unexpired warranty	32,209	692	20,738	12,163
<b>Total</b>	<b>38,443</b>	<b>692</b>	<b>22,108</b>	<b>17,027</b>

**8. OPERATING LEASE**

The Group's significant leasing arrangements are in respect of operating leases for factory shed/premises and guesthouse. These lease agreements, which are not non-cancellable, range up to 120 months and are usually renewable by mutual consent on mutually agreeable terms.

The total future minimum lease payments under non-cancellable operating lease are as under:

	₹ '000	
Period	As at 31.03.10	As at 31.03.09
Payable within one year	13,954	13,864
Payable later than one year and not later than five year	13,192	33,022
Payable later than five year	–	–

**9. DEFERRED TAX LIABILITY**

The break-up of deferred tax liability arising due to the tax effect of timing differences between taxable income and accounting income, is as under

	As at 31.03.10 ₹ '000	As at 31.03.09 ₹ '000
<b>Deferred Tax Liability</b>		
Depreciation	45,468	48,323
Warrenty provision	4,537	-
Lease rentals	102	132
	<b>50,107</b>	48,455
<b>Deferred tax assets</b>		
Technical know how fees	148	197
Provision for doubtful debts/advances	12,000	10,200
Provision for diminution in value of investments	150	513
	<b>12,298</b>	10,910
<b>Net deferred tax liability</b>	<b>37,809</b>	37,545

**10. CONTINGENT LIABILITIES**

	As at 31.03.2010 ₹ '000	As at 31.03.2009 ₹ '000
a) Claims against the Company not acknowledged as debts:		
i) Dispute relating to Cenvat Credit	3,913	4,100
ii) Disputed Income Tax demands	19,666	15,151
b) Guarantees issued by bank	135,942	176,450

**11. BASIC AND DILUTED EARNING PER SHARE**

	As at 31.03.2010 ₹ '000	As at 31.03.2009 ₹ '000
(a) Net profit for the year available to equity shareholders after Prior Period Tax Adjustment	94,704	107,567
Weighted average number of Equity Shares during the year	14,617,500	14,617,500
(b) Face value of Equity Share in ₹	2	2
(c) Basic and diluted earnings per share	6.48	7.36

## 12. EMPLOYEE BENEFITS

The amounts recognised in the company's financial statements in respect of employee benefits under defined benefit plan as at March 31, 2010 are as under:

### Gratuity:

	As at 31.03.10	As at 31.03.09
<b>a Assumptions:</b>		
Discount Rate	8.50%	7.00%
Rate of Return on Plan Assets	8.50%	7.00%
Salary Escalation	6.00%	6.00%
	As at 31.03.10 (₹ '000)	As at 31.03.09 (₹ '000)
<b>b Table showing changes in Benefit Obligation:</b>		
Liability at the beginning of the year	34,227	27,220
Interest cost	2,396	2,178
Current service cost	2,013	1,698
Benefit paid	(3,867)	(6,265)
Actuarial (gain)/loss on obligations	2,784	9,396
<b>Liability at the end of the year</b>	<b>37,553</b>	<b>34,227</b>
<b>c Change in Plan Assets:</b>		
Fair value of Plan Assets at the beginning of the year	38,897	39,789
Expected Return on Plan Assets	2,722	3,183
Contributions	1,027	1,727
Benefit Paid	(3,867)	(6,265)
Actuarial gain/(loss) on Plan Assets	760	464
<b>Fair value of Plan Assets at the end of the year</b>	<b>39,539</b>	<b>38,897</b>
Total Actuarial Gain/(Loss) to be recognised	<b>(2,023)</b>	<b>(8,932)</b>
<b>d Actual Return on Plan Assets:</b>		
Expected Return on Plan Assets	2,723	3,183
Actuarial gain/(loss) on Plan Assets	760	464
<b>Actual Return on Plan Assets</b>	<b>3,483</b>	<b>3,647</b>
<b>e Amount Recognised in the Balance Sheet:</b>		
Liability at the end of the year	37,552	34,227
Fair value of Plan Assets at the end of the year	39,538	38,897
Difference	(1,986)	(4,670)
<b>Amount Recognised in the Balance Sheet</b>	<b>(1,986)</b>	<b>(4,670)</b>
<b>f Expenses Recognised in the Income Statement</b>		
Current Service cost	2,013	1,698
Interest Cost	2,396	2,178
Expected return on Plan Assets	(2,723)	(3,183)
Net Actuarial (gain)/loss to be recognised	2,023	8,932
<b>Expense Recognised in P&amp;L</b>	<b>3,709</b>	<b>9,625</b>

**12. EMPLOYEE BENEFITS (Continued)**

	As at 31.03.10 (₹ '000)	As at 31.03.09 (₹ '000)
<b>g Balance Sheet Reconciliation</b>		
Opening Net Liability	(4,669)	(12,568)
Expenses as above	3,709	9,625
Employers Contribution	(1,026)	(1,727)
<b>Amount Recognised in Balance Sheet</b>	<b>(1,986)</b>	<b>(4,670)</b>

**h Other Details**

Gratuity is payable at the rate of 15 days salary for each year of service subject to a maximum of ₹ 350 thousand

Salary escalation is considered as advised by the company which is in line with the industry practice considering promotion and demand and supply of the employees.

The foreign subsidiaries do not have any employee benefits in the nature of defined benefit plans.

**13. RELATED PARTY DISCLOSURES**

(l) List of Related parties

(a) Parties where control exists:

- (i) Ultimate Holding Company : Robbins & Myers Inc.
- (ii) Holding Company: : Pfaudler Inc.

(b) Related parties with whom transactions have taken place during the year:

- (i) Fellow Subsidiaries: : Pfaudler Werke GMBH  
Pfaudler Balfour Ltd.  
Edlon PSI Inc.  
Chemineer Inc.  
Suzhou Pfaudler Glasslined Equipment Co. Limited  
Robbins & Myers Singapore Private Limited  
Glass Steel Parts and Services
- (ii) Key management personnel: : Mr. Ashok J. Patel – Managing Director  
Mr. Tarak A. Patel – Executive Director  
Mr. Ashok C. Pillai – Chief Operating Officer
- (iii) Relative of Key management personnel: : Mrs. Urmi A. Patel (wife of Mr. Ashok J. Patel)  
Mrs. Uttara G. Gelhaus (Daughter of Mr. Ashok J. Patel)
- (iv) Other related parties : Skyline Millars Limited  
(enterprises over which persons in (b)(ii) or (b)(iii) are able to exercise significant influence.) : Glass Lined Equipment Co. Limited.  
Ready Mix Concrete Limited.  
Dietrich Engineering Consultants India Private Limited  
J. V. Patel & Co.  
Unifrax India Limited  
SKF India Limited  
Siemens Limited  
Bayer Material Science Private Limited

### 13. Related Party Disclosures (Continued)

Transaction	(₹ '000)											
	Ultimate Holding Company		Holding Company		Fellow Subsidiaries		Key Mgmt. Personnel		Relative of Key Mgmt. Personnel		Other Related Parties	
	31.03.10	31.03.09	31.03.10	31.03.09	31.03.10	31.03.09	31.03.10	31.03.09	31.03.10	31.03.09	31.03.10	31.03.09
Purchase of goods	-	-	199	-	6,003	1,874	-	-	-	-	2,363	927
Sale of goods	-	-	-	2,978	38,904	15,530	-	-	-	-	72,645	-
Purchase of fixed assets	-	-	-	-	-	-	-	-	-	-	10,815	-
Receiving of services	-	-	-	-	-	753	-	-	-	-	24,961	23,672
Royalty paid	-	-	7,514	6,710	-	-	-	-	-	-	-	-
Lease Rent paid	-	-	-	-	-	-	-	-	-	-	6,409	6,140
Remuneration paid	-	-	-	-	-	-	13,630	13,896	2,524	-	-	-
Interest received	-	-	-	-	-	-	69	100	-	-	-	-
Dividend paid	-	-	20,872	20,872	-	-	2,907	3,389	1,323	841	-	-
Deposit received back	-	-	-	-	-	-	-	-	-	-	-	16,000
Commission received on services provided	7,236	4,581	-	-	-	-	-	-	-	-	-	-
Reimbursement of expenses	-	926	-	-	-	12	-	-	-	-	772	-
<b>Balance outstanding as on March 31, 2010</b>												
Payables	-	-	11,736	7,276	6,004	8,452	5,621	4,448	331	210	6,168	5,516
Receivables	653	-	-	3,208	5,528	20,903	1,225	1,610	-	-	54,855	-
Deposit outstanding	-	-	-	-	-	-	-	-	-	-	11,664	10,372

**GMM PFAUDLER LIMITED**

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**13 (III) Significant Related Party Transactions are as under:**

Nature of transactions		₹ '000	
		Year Ended 31.03.10	Year Ended 31.03.09
Purchase of goods	Pfau dler Werke GMBH	5,087	1,218
	Skyline Millars Limited	2,363	–
	Glass Lined Equip. Co. Ltd.	–	133
	Pfau dler Balfour Ltd.	–	15
Sale of goods	Pfau dler Werke GMBH	34,820	8,881
	Pfau dler Balfour Ltd.	–	4,693
	Pfau dler Inc.	–	2,978
	Bayer Material Science Pvt. Ltd.	72,645	–
	Suzoh Pfau dler	–	1,956
Purchase of capital goods	Siemens Limited	6,620	–
	Skyline Millars Limited	2,249	–
Receiving Services	Ready Mix Concrete Ltd.	12,733	12,784
	Glass Lined Equip. Co. Ltd.	9,011	5,836
	Skyline Millars Limited	3,218	5,023
	Pfau dler Balfour Ltd.	–	715
Lease rent paid	Ready Mix Concrete Ltd.	1,688	1,444
	Skyline Millars Limited	4,721	4,678
Royalty paid	Pfau dler Inc.	7,514	6,710
Remuneration paid	Mr. Ashok J. Patel	9,386	7,975
	Mr. Ashok Pillai	4,247	3,607
	Mr. Tarak A. Patel	2,524	2,314
Dividend paid	Pfau dler Inc.	20,872	20,872
	Mr. Ashok J. Patel	2,907	2,905
Commission on services provided	Robbins & Myers Inc.	7,236	4,581
Reimbursement of claim/expenses	Robbins & Myers Inc.	926	926
	Ready Mix Concrete Ltd.	772	–
<b>Balances outstanding as on March 31, 2010</b>			
Payables	Pfau dler Inc.	11,736	7,276
	Pfau dler Balfour Ltd.	5,356	6,186
	Skyline Millars Limited	3,249	–
	Mr. Ashok J. Patel	5,621	4,326
	Pfau dler Werke GMBH	–	960
Receivables	Bayer Material Science Pvt Ltd.	54,855	–
	Pfau dler Balfour Ltd.	–	16,534
Deposit outstanding	Ready Mix Concrete Ltd.	10,703	9,411
	Skyline Millars Limited	–	961

## 14. SEGMENT REPORTING

(a) Primary segment reporting by business segment

Particulars	Chemical Processing Equipment		Mixing Systems		Filtration/Separation Equipment & Others		Total	
	31.03.10	31.03.09	31.03.10	31.03.09	31.03.10	31.03.09	31.03.10	31.03.09
Revenue:								
Total External sales	<b>1,279,296</b>	1,277,660	<b>162,901</b>	83,101	<b>495,350</b>	663,539	<b>1,937,547</b>	2,024,300
Segment Results:								
Profit/(Loss) before Tax and Interest	<b>185,889</b>	165,479	<b>18,444</b>	8,819	<b>(1,171)</b>	24,090	<b>203,162</b>	198,388
Unallocated Income/(Expense) (Net)							<b>(43,168)</b>	(17,183)
Less: Interest							<b>7,844</b>	16,977
Profit Before Tax							<b>152,150</b>	164,228
Taxes							<b>55,859</b>	56,661
Net Profit After Tax							<b>96,291</b>	107,567
Segment Assets	<b>783,331</b>	874,442	<b>86,585</b>	43,775	<b>295,670</b>	350,015	<b>1,165,586</b>	1,268,232
Unallocated Assets							<b>331,687</b>	304,866
Total Assets							<b>1,497,273</b>	1,573,098
Segment liabilities	<b>292,139</b>	406,765	<b>43,450</b>	28,548	<b>182,312</b>	229,873	<b>517,901</b>	665,186
Unallocated Liabilities							<b>40,383</b>	29,290
Total Liabilities							<b>558,284</b>	694,476
Capital Expenditure	<b>15,957</b>	10,973	<b>-</b>	-	<b>11,216</b>	8,124	<b>27,173</b>	19,097
Unallocated Capital Expenditure							<b>2,852</b>	24,475
Depreciation	<b>28,943</b>	28,304	<b>333</b>	326	<b>7,217</b>	9,843	<b>36,493</b>	38,473
Unallocated depreciation							<b>2,667</b>	2,608

**14. Segment Reporting (Continued)**

(b) Secondary segment reporting by geographical segment:

Particulars	Within India		Outside India		Total	
	31.03.10	31.03.09	31.03.10	31.03.09	31.03.10	31.03.09
Revenue	<b>1,463,400</b>	1,343,826	<b>474,147</b>	680,474	<b>1,937,547</b>	2,024,300

(₹'000)

**Notes:**

- 1) The Business segments have been identified in line with the Accounting Standard 17 on "Segment Reporting", taking into account the nature of product, the nature of manufacturing process, the class of customers, the organization structure and the internal financial reporting system.
- 2) Segment revenue, results, assets and liabilities include amounts that are directly attributable to the respective segments. Amounts not directly attributable have been allocated to the segments on the best judgment of the management in the absence of detailed internal financial reporting system. Expenses not directly allocable to the segments are treated as "Unallocated Expenses"

15. Prior year's figures have been regrouped where necessary.



Statement Pursuant to Approval u/s 212 (8) of the Companies Act, 1956

(₹000)

Name of the Subsidiary Company	Karamsad Holding Limited	Karamsad Investments Limited	GMM MAVAG AG	MAVAG AG
Financial Year ended on	31.03.10	31.03.10	31.03.10	31.03.10
1 Capital	3,500	2,600	63,480	63,480
2 Reserves	419	(339)	(10,834)	89,969
3 Total Assets	<b>4,239</b>	<b>18,587</b>	<b>222,815</b>	<b>304,618</b>
4 Total Liabilities	<b>320</b>	<b>16,326</b>	<b>170,169</b>	<b>151,169</b>
5 Details of Investment				
-5,132 Equity Shares of ₹10/- 'each fully paid up in Nile Limited.	332	-	-	-
- 302148 Equity Shares of ₹10/- each fully paid up in Nile Limited	-	17,591	-	-
-1500 Equity Shares of CHF 1000 each fully paid up in Mavag AG	-	-	211,600	-
6 Turnover	<b>948</b>	<b>4,968</b>	<b>0</b>	<b>389,466</b>
7 Profit / (Loss) before taxation	600	(102)	(2,986)	(9,578)
8 Provision for taxation	58	-	(9)	(2,793)
9 Profit after taxation	<b>542</b>	<b>(102)</b>	<b>(2,994)</b>	<b>(12,371)</b>
10 Proposed / Interim Dividend	Nil	Nil	Nil	Nil
Exchange Rate Used	NA	NA	42.32	42.32
Local Currency	<b>INR</b>	<b>INR</b>	<b>CHF</b>	<b>CHF</b>

Note: The indian rupee equivalents to the figures given in the foreign currencies in the accounts of the subsidiary companies, have been given based on the exchange rates as on 31.03.10.

**To the Board of Directors of  
GMM Mavag AG  
8213 Neunkirch  
Switzerland**

June 24, 2010

In accordance with your instructions, we have audited the accounting records and the financial statements (Balance Sheet, Income Statement, Notes and Cash Flow Statement) of GMM Mavag AG for the year ended March 31, 2010.

These financial statements are the responsibility of the board of directors of GMM Mavag AG. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with generally accepted auditing standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements presents, in all material respects, the financial position of GMM Mavag AG as of March 31, 2010 and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Without qualifying our opinion, we draw attention to point 2 "investments" in the notes. There is a material uncertainty regarding measurement of the investment in Mavag AG. However, up to now a final judgement is not possible.

Should there be an impairment for the investment in Mavag AG, there may be a loss of share capital or an over-indebtedness according to article 725 of the Swiss Company Law. In this case we refer to the provisions as stipulated in the Swiss Company Law.

Mäder + Baumgartner Treuhand AG

**Thomas Wildberger**  
Licensed Audit Expert  
Auditor in Charge

**Jakob Keller**  
Licensed Audit Expert

<b>Balance Sheet as at March 31, 2010</b>	<b>31.03.2010</b>	31.03.2009	<b>31.03.2010</b>	31.03.2009
	<b>CHF</b>	CHF	<b>₹</b>	₹
<b>Assets</b>				
Bank Account	<b>9,482.05</b>	9,483.85	<b>401,291</b>	430,811
Prepaid Expenses	-	3,341.65	-	151,797
Investment in Mavag AG	5,000,000.00	5,000,000.00	<b>211,605,500</b>	227,129,000
<b>Assets</b>	<b>5,009,482.05</b>	5,012,825.50	<b>212,006,791</b>	227,711,609
<b>Liabilities and Shareholder's Equity</b>				
Other short-term liabilities holding company	<b>17,146.45</b>	17,146.45	<b>725,657</b>	778,891
Accrued liabilities	<b>248,659.38</b>	181,244.48	<b>10,523,538</b>	8,233,175
Long-term loan holding company	<b>3,500,000.00</b>	3,500,000.00	<b>148,123,850</b>	158,990,300
<b>Liabilities</b>	<b>3,765,805.83</b>	3,698,390.93	<b>159,373,045</b>	168,002,367
Share Capital	<b>1,500,000.00</b>	1,500,000.00	<b>63,481,650</b>	68,138,700
Balance brought forward	<b>(185,565.43)</b>	(42,711.50)	<b>(7,853,333)</b>	(1,940,204)
<b>Net loss</b>	<b>(70,758.35)</b>	(142,853.93)	<b>(2,994,571)</b>	(6,489,254)
Unappropriated losses	<b>(256,323.78)</b>	(185,565.43)	<b>(10,847,904)</b>	(8,429,458)
<b>Shareholder's equity</b>	<b>1,243,676.22</b>	1,314,434.57	<b>52,633,746</b>	59,709,242
<b>Liabilities and Shareholder's Equity</b>	<b>5,009,482.05</b>	5,012,825.50	<b>212,006,791</b>	227,711,609

Note: The figures of GMM Mavag AG in CHF have been translated in to Indian Rupees using the year end exchange rate

<b>Income Statement as on March 31, 2010</b>	<b>01.04.09 -</b>	<b>01.04.08 -</b>	<b>01.04.09 -</b>	<b>01.04.08 -</b>
	<b>31.03.10</b>	<b>31.03.09</b>	<b>31.03.10</b>	<b>31.03.09</b>
	<b>CHF</b>	CHF	<b>₹</b>	₹
Administration expenses	<b>652.45</b>	(5,000.00)	<b>27,612</b>	(227,129)
Audit expenses	-	-	-	-
<b>Earnings before interests and taxes</b>	<b>652.45</b>	(5,000.00)	27,612	(227,129)
Financial expenses	(71,209.80)	(137,652.93)	(3,013,677)	(6,252,994)
<b>Operating profit/loss</b>	<b>(70,557.35)</b>	(142,652.93)	<b>(2,986,065)</b>	(6,480,123)
Taxes	(201.00)	(201.00)	(8,507)	(9,131)
<b>Net loss</b>	<b>(70,758.35)</b>	(142,853.93)	<b>(2,994,571)</b>	(6,489,254)

Note: The figures of GMM Mavag AG in CHF have been translated in to Indian Rupees using the year end exchange rate

Notes to the Financial Statements 2009-10	2009-10 CHF	2008-09 CHF	2009-10 ₹	2008-09 ₹
<b>1. Share Capital</b>				
Authorised Share Capital of the Company	1,500,000.00	1,500,000.00	63,481,650	68,138,700
Issued, Paid up and Subscribed Capital	1,500,000.00	1,500,000.00	63,481,650	68,138,700
The long-term loan should be changed in share capital until end of summer 2010.				
<b>2. Investments</b>				
Long term investments	5,000,000.00	5,000,000.00	211,605,500	227,129,000
Current investments (cost along with market value)	-	-	-	-

The shareholder's equity (according to statutory accounts) of Mavag AG is about CHF 3.1m as at March 31, 2010. The board of directors of GMM Mavag AG is convinced that the investments in Mavag AG, with a book value of CHF 5m, is recoverable as there should be a huge increase of turnover until 2014, based on the strategic plan, dated April 2010. The increase should be reached with entering new markets. The profitability should also be improved as the planned increase of costs is much lower than the increase of turnover.

In consideration of the fact there is a material uncertainty concerning increase of turnover and profitability. There is no specific allowance.

<b>3. Sundry Debtors (Receivables)</b>	-	-	-	-
<b>4. Bank balances</b>				
Balances with banks				
- in current accounts	9482.05	9483.85	401,291	430,811
- in deposit accounts	-	-	-	-
<b>5. Sundry Creditors (Payables)</b>	-	-	-	-
<b>6. Operating Lease</b>	-	-	-	-
<b>7. Contingent Liabilities</b>	-	-	-	-

Note: The figures of GMM Mavag AG in CHF have been translated in to Indian Rupees using the year end exchange rate

Cash Flow Statement 01.04.09 to 31.03.10	01.04.09- 31.03.10 CHF	04.01.08- 31.03.09 CHF	01.04.09- 31.03.10 ₹	04.01.08- 31.03.09 ₹
Net loss	(70,758.35)	(142,853.93)	(2,994,571)	(6,489,254)
Change in net current assets items				
(Increase) Decrease other current asset	3,341.65	(3,341.65)	141,422	(151,797)
Increase (Decrease) other current liabilities	67,414.90	152,564.93	2,853,073	6,930,384
<b>Cash flow from operating activities</b>	<b>(1.80)</b>	<b>6,369.35</b>	<b>(76)</b>	<b>289,333</b>
Investment in Mavag AG	-	-	-	-
<b>Cash flow used for investing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Increase (decrease) loan holding company	-	-	-	-
Increase (decrease) share capital	-	-	-	-
<b>Cash flow used for financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Increase (Decrease) Cash and cash equivalents</b>	<b>(1.80)</b>	<b>6,369.35</b>	<b>(76)</b>	<b>289,333</b>
Cash and cash equivalents at 01.04.09/04.01.08	9,483.85	3,114.50	401,367	141,479
Increase (Decrease) Cash and cash equivalents	(1.80)	6,369.35	(76)	289,333
<b>Cash and cash equivalents at March 31</b>	<b>9,482.05</b>	<b>9,483.85</b>	<b>401,291</b>	<b>430,811</b>

Note: The figures of GMM Mavag AG in CHF have been translated in to Indian Rupees using the year end exchange rate

**To the Board of Directors of  
Mavag AG  
8213 Neunkirch  
Switzerland**

June 24, 2010

In accordance with your instructions, we have audited the accounting records and the financial statements (Balance Sheet, Income Statement, Notes and Cash Flow Statement) of Mavag AG for the year ended March 31, 2010.

These financial statements are the responsibility of the board of directors of Mavag AG. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with generally accepted auditing standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements presents, in all material respects, the financial position of Mavag AG as of March 31, 2010 and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Mäder + Baumgartner Treuhand AG

**Thomas Wildberger**  
Licensed Audit Expert  
Auditor in Charge

**Jakob Keller**  
Licensed Audit Expert

<b>Balance Sheet as at March 31, 2010</b>	<b>31.03.2010</b>	31.03.2009	<b>31.03.2010</b>	31.03.2009
	<b>CHF</b>	CHF	<b>₹</b>	₹
<b>Assests</b>				
Cash and cash equivalents	<b>1,268,895.44</b>	1,121,978.27	<b>53,701,051</b>	50,966,760.50
Marketable securities	-	-	-	-
	<b>1,268,895.44</b>	1,121,978.27	<b>53,701,051</b>	50,966,760.50
Trade accounts receivable	-	-	-	-
Third Parties	<b>1,260,356.83</b>	2,297,271.84	<b>53,339,687</b>	104,355,411.15
Group Companies	<b>34,132.40</b>	67,112.00	<b>1,444,521</b>	3,048,616.29
Allowance for doubtful accounts	<b>(110,000.00)</b>	(160,000.00)	<b>(4,655,321)</b>	(7,268,128.00)
	<b>1,184,489.23</b>	2,204,383.84	<b>50,128,887</b>	100,135,899.44
Other accounts receivables	<b>226,355.06</b>	487,270.80	<b>9,579,595</b>	22,134,665.91
Material	<b>1,231,556.00</b>	1,639,849.00	<b>52,120,805</b>	74,491,452.70
Work progress	<b>2,743,164.00</b>	2,113,594.00	<b>116,093,718</b>	96,011,698.33
	<b>3,974,720.00</b>	3,753,443.00	<b>168,214,523</b>	170,503,151.03
Prepaid expenses	<b>58,092.50</b>	161,594.75	<b>2,458,539</b>	7,340,570.79
<b>Current Assests</b>	<b>6,712,552.23</b>	7,728,670.66	<b>284,082,594</b>	351,081,047.67
Fiancial assests	<b>1.00</b>	1.00	<b>42.32</b>	45.43
Machinery, equipments, other tangible assests	<b>485,423.85</b>	337,706.00	<b>20,543,671</b>	15,340,565.21
Intanagible assests	<b>1.00</b>	1.00	<b>42.32</b>	45.43
<b>Non-current assests</b>	<b>485,425.85</b>	337,708.00	<b>20,543,756</b>	15,340,656.07
<b>Assests</b>	<b>7,197,978.08</b>	8,066,378.66	<b>304,626,350</b>	366,421,703.73
<b>Liabilities and Shareholder's Equity</b>				
Trade accounts payable	<b>626,272.37</b>	909,240.65	<b>26,504,536</b>	41,302,983.92
Short-term financial liabilities	-	-	-	-
Other Short term liabilities group company	<b>144,334.45</b>	28,273.15	<b>6,108,393</b>	1,284,330.46
Short-term loan third	-	-	-	-
Advance Payments	<b>2,099,178.98</b>	1,981,986.25	<b>88,839,564</b>	90,033,311.00
Accured liabilities	<b>495,062.09</b>	710,616.74	<b>20,951,572</b>	32,280,333.91
Warranty provisions	<b>100,000.00</b>	470,000.00	<b>4,232,110</b>	21,350,126.00
Deferred tax liabilities	<b>107,200.00</b>	48,000.00	<b>4,536,822</b>	2,180,438.40
<b>Liabilitites</b>	<b>3,572,047.89</b>	4,148,116.79	<b>151,172,995.96</b>	188,431,523.68
<b>Share Capital</b>	<b>1,500,000.00</b>	1,500,000.00	<b>63,481,650</b>	68,138,700.00
General Legal reserve	<b>463,000.00</b>	196,000.00	<b>19,594,669</b>	8,903,456.80
Balance brought forward	<b>1,955,261.87</b>	1,686,144.62	<b>82,748,833</b>	76,594,468.28
Net income for the year	<b>(292,331.68)</b>	536,117.25	<b>(12,371,798)</b>	24,353,554.98
Unappropriated earnings	<b>1,662,930.19</b>	2,222,261.87	<b>70,377,035</b>	100,948,023.25
Shareholder's equity	<b>3,625,930.19</b>	3,918,261.87	<b>153,453,354</b>	177,990,180.05
<b>Liabilities and Shareholder's Equity</b>	<b>7,197,978.08</b>	8,066,378.66	<b>304,626,350</b>	366,421,703.73

Note: The figures of Mavag AG in CHF have been translated in to Indian Rupees using the year end exchange rate

<b>Income Statement for the period from April 2009 to March 2010</b>	<b>01.04.09- 31.03.10 CHF</b>	01.04.08- 31.03.09 CHF	<b>01.04.09- 31.03.10 ₹</b>	01.04.08- 31.03.09 ₹
Income from sales and services	9,211,603.96	11,876,625.95	389,845,212	539,505,235
Less sales deduction	(8,733.35)	(99,549.10)	(369,605)	(4,522,098)
<b>Net turnover</b>	<b>9,202,870.61</b>	11,777,076.85	<b>389,475,607</b>	534,983,138
Raw material expenses	(4,530,083.07)	(6,228,809.24)	(191,718,099)	(282,948,643)
Merchandise expenses	-	(61.25)	-	(2,782)
Purchase expenses	(99,328.09)	(166,633.00)	(4,203,674)	(7,569,437)
Expenses for third party services	(46,602.49)	(64,112.95)	(1,972,269)	(2,912,382)
Variation of work in progress	709,569.00	1,954,274.00	30,029,741	88,774,460
<b>Costs of goods sold</b>	<b>(3,966,444.65)</b>	(4,505,342.44)	<b>(167,864,301)</b>	(204,658,785)
<b>Gross Profit</b>	<b>5,236,425.96</b>	7,271,734.41	<b>221,611,307</b>	330,324,353
Salaries	(4,523,194.95)	(4,891,012.79)	(191,426,586)	(222,178,169)
Personnel expenses	(4,523,194.95)	(4,891,012.79)	(191,426,586)	(222,178,169)
<b>Gross Profit II</b>	<b>713,231.01</b>	2,380,721.62	<b>30,184,721</b>	108,146,184
Rental expenses	(204,806.75)	(323,707.20)	(8,667,647)	(14,704,659)
Maintenance and cost of repair	(127,124.71)	(181,038.55)	(5,380,058)	(8,223,821)
Vehicle expenses	(38,250.71)	(47,757.60)	(1,618,812)	(2,169,427)
Insurance expenses	(35,566.02)	(47,408.40)	(1,505,193)	(2,153,564)
Energy expenses	(58,093.20)	(29,597.80)	(2,458,568)	(1,344,504)
Administration expenses	(314,801.49)	(346,746.20)	(13,322,745)	(15,751,224)
Promotion expenses	(36,840.75)	(63,202.90)	(1,559,141)	(2,871,042)
Other operating expenses	(253,924.17)	(454,085.25)	(10,746,350)	(20,627,186)
Exchange losses	(191,363.93)	(34,892.40)	(8,098,732)	(1,585,015)
Variation of warranty provisions	370,000.00	-	15,658,807	-
<b>Operating expenses</b>	<b>(890,771.73)</b>	(1,528,436.30)	<b>(37,698,439)</b>	(69,430,442)
<b>Earnings before interests, taxes, depreciation and amortization</b>	<b>(177,540.72)</b>	852,285.32	<b>(7,513,719)</b>	38,715,742
Earnings before interests, taxes, depreciation and amortization	(177,540.72)	852,285.32	(7,513,719)	38,715,742
Depreciation	(137,468.75)	(186,564.20)	(5,817,829)	(8,474,828)
<b>Earnings before interests and taxes</b>	<b>(315,009.47)</b>	665,721.12	<b>(13,331,547)</b>	30,240,914
Financial expenses	(26,816.37)	(57,619.72)	(1,134,898)	(2,617,422)
Financial income	65,113.06	9,335.75	2,755,656	424,084
	38,296.69	(48,283.97)	1,620,758	(2,193,338)
Gain from selling non-current assets	2,788.20	-	118,000	-
Income resulting from another period	47,590.75	-	2,014,093	-
<b>Operating profit</b>	<b>(226,333.83)</b>	617,437.15	<b>(9,578,697)</b>	28,047,576
Taxes	(6,797.85)	(33,319.90)	(287,692)	(1,513,583)
Deferred taxes	(59,200.00)	(48,000.00)	(2,505,409)	(2,180,438)
<b>Net Income</b>	<b>(292,331.68)</b>	536,117.25	<b>(12,371,798)</b>	24,353,555

Note: The figures of Mavag AG in CHF have been translated in to Indian Rupees using the year end exchange rate

Notes to the Financial Statements 2009-2010	2009-2010 CHF	2008-2009 CHF	2009-2010 ₹	2008-2009 ₹
<b>1. Share Capital</b>				
Issued, Paid up and Subscribed Capital	1,500,000.00	1,500,000.00	63,481,650	68,138,700
<b>2. Investments</b>				
Long term investments	1.00	1.00	42	45
Current Investments (cost along with market value)	-	-		
<b>3. Sundry Debtors (Receivables)</b>				
Debts outstanding over six months	61,476.00	40,795.14	2,601,732	1,853,152
-Considered good	20,751.00	-	878,205	-
-Considered doubtful	40,725.00	40,795.14	1,723,527	1,853,152
Other Debts (over six months)				
-Considered good	-	-	-	-
-Considered doubtful	-	-	-	-
Less : Provisions for doubtful debts	110,000.00	160,000.00	4,655,321	7,268,128
<b>4. Bank balances</b>				
Balances with banks	1,268,895.44	1,121,638.52	53,701,051	50,951,327
-in current accounts	1,268,895.44	1,121,638.52	53,701,051	50,951,327
-in deposit accounts	-	-	-	-
<b>5. Sundry Creditors (Payables)</b>				
Sundry creditors				
-Outstanding dues of micro enterprisess and small enterprises	626,272.37	909,240.65	26,504,536	41,302,984
-Other creditors	-	-	-	-
<b>6. Operating Lease</b>	-	-	-	-
<b>7. Contigent Liabilities</b>	-	-	-	-

**8. Warranty Provisions**

Based on a re-evaluation management decided reserve a warranty provisions of CHF 370k.

**9. Departure from the consistency principle**

In comparison to the prior year the presentation of the income statements accounts has been changed in parts. Prior year figure have been adjusted to the current year presentation.

Note: The figures of Mavag AG in CHF have been translated in to Indian Rupees using the year end exchange rate.



## DIRECTORS REPORT

To the Members,

Your Directors submit the Thirteenth Annual Report together with Audited Statement of Accounts for the year ended March 31, 2010.

### FINANCIAL RESULTS

During the year under review, your company has made profit of ₹ 599,871/-. In view to conserve the resource of the Company, Directors do not recommend any dividend on equity shares for the year ended March, 31 2010.

### INVESTMENTS

During the year Company has sold 13,168 Equity Shares of Nile Limited

### AUDITORS REMARK

As regards the observations made by the Auditors in their report (paragraph vi) regarding non registration of investment in name of the Company, the said matters has been clarified in the relevant notes forming part of the accounts which are self explanatory. Hence does not call for any further comments under section 217 of the Companies Act, 1956.

### DIRECTORS RESPONSIBILITY STATEMENT

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

- 1] That in the preparation of the annual accounts for the Financial Year ended March 31, 2010, the applicable accounting standards have been followed alongwith proper explanation relating to material departures.
- 2] That the Directors have selected such accounting policies and applied them consistently and made judgements 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 and of the profit or loss of the Company for the year under review.
- 3] That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- 4] That the Directors have prepared the accounts for the financial year ended March 31, 2010 on a 'going concern' basis.

### SECRETARIAL AUDIT

Your Directors wish to state that pursuant to Section 383 A of the Companies Act, 1956, the Company has complied with all the provisions of the Act and a certificate to that effect has been obtained from a Company Secretary in whole time practice.

### PARTICULARS OF EMPLOYEES

As there are no employees, the particulars prescribed Under Section 217 (2A) of the Companies Act, 1956 are not applicable.

### PARTICULARS UNDER SECTION 217 (1) (e)

In view of the nature of business carried on by the company, the particulars required to be furnished pursuant to Section 217 (1) (e) of the Companies Act, 1956 are not applicable.

### DIRECTOR

Mr. N. H. Bhatt, a Director of the Company retires by rotation and being eligible, offers himself for re-appointment.

### AUDITORS

M/s. Kantilal Patel & Co., Chartered Accountants, Ahmedabad shall hold office up to this ensuing Annual General Meeting. Your directors recommend their re-appointment. Their eligibility certificate has been received for the next financial year.

For and on behalf of the Board of Director

Place : Mumbai  
Date : 26.07.2010

N. H. Bhatt  
Chairman

## COMPLIANCE CERTIFICATE U/S. 383A (1) OF COMPANIES ACT, 1956.

CIN: U65993GJ1997PLC032514

Nominal Capital ₹ 100 Lakhs

The Members  
Karamsad Holdings Ltd.  
Vithal Udyognagar,  
Karamsad – 388325  
Gujarat

We have examined all the registers, records, books and papers of Karamsad Holdings Ltd. as required to be maintained under the Companies Act, 1956 (The Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on March 31, 2010 in our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us, by the Company, its officers and agents, we certify that in respect of the aforesaid financial year.

- 1] The Company has kept and maintained all registers as stated in ANNEXURE "A" to this certificate as per the provisions and the rules made thereunder and all entries therein have been duly recorded.
- 2] The Company has duly filled the forms and returns as stated in ANNEXURE "B" to this certificate with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made thereunder.
- 3] The Company, being a public limited Company, comments are not required.
- 4] The Board of Directors duly met four times on April 27, 2009, July 28, 2009, October 15, 2009 and January 11, 2010 in respect of which meetings, proper notices were given and the proceedings were properly recorded and signed including the circular resolution passed, in the Minutes Book maintained for the purpose.
- 5] The Company was not required to close its Register of Members during the financial year under review.
- 6] The Annual General Meeting for the financial year ended on March 31, 2009 was held on September 30, 2009 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
- 7] No Extraordinary General Meeting was held during the financial year.
- 8] The Company has not advanced any loans to its directors or persons or firms or companies referred to under Section 295 of the Companies Act, 1956.
- 9] The Company had not entered into any contracts falling within the purview of Section 297 of the Companies Act, 1956.
- 10] The Company was not required to make any entries in the register maintained under Section 301 of the Companies Act, 1956.
- 11] As there were no instances falling within the purview of section 314 of the Act, the Company has not obtained any approvals from the Boards of directors, members or Central Government.
- 12] The Company has not issued any duplicate share certificates during the financial year.
- 13] The Company has
  - (i) Delivered all the certificates on lodgment thereof for transfer in accordance with the provisions of the Companies Act, 1956.
  - (ii) The Company has not deposited any amount in a separate Bank Account as no dividend was declared during the financial year.
  - (iii) The Company was not required to post warrant to any member of the Company as no dividend was declared during the financial year.
  - (iv) The Company was not required to transfer any unpaid dividend/matured deposits/matured debentures, as the same is not applicable to the

Company since the Company has not declared any dividend or accepted any deposits or issued any debentures at any time.

- (v) Duly complied with the requirements of section 217 of the Act.
- 14] The Board of Directors is duly constituted and there were no resignation or appointment of additional director during the year.
  - 15] The Company has not appointed any Managing Director/Whole-Time Director/ Manager during the financial year.
  - 16] The Company has not appointed any sole-selling agents during the financial year.
  - 17] The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar and/or such authorities prescribed under the various provisions of Act during the financial year.
  - 18] The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act, and the rules made there under.
  - 19] The Company has not issued any shares, debentures or other securities during the financial year.
  - 20] The Company has not bought back any shares during the financial year.
  - 21] The Company has no redemption of preference shares or debentures during the financial year.
  - 22] There were no transaction necessitating the Company to keep in abeyance the right to dividend, rights shares and bonus shares pending registration of transfer of shares.
  - 23] The Company has not invited public deposits falling within the purview of Section 58A of the Act, during the financial year. However the holding Company GMM Pfaudler Ltd. has given an advance to the Company, which is exempted.
  - 24] The Company being a public Company, the provisions of section 293 (1) (d) of the Act, are applicable to the Company. However there are no borrowings from any Bank / Financial Institution / Others.
  - 25] The Company has not made any loans or Investments during the financial year and hence no entries are made in the register kept for the purpose.
  - 26] The Company has not altered the provisions of the Memorandum of Association with respect to situation of the Company's registered office from one state to another during the year under scrutiny.
  - 27] The Company has not altered the provisions of the Memorandum of Association with respect to the objects of the Company during the year under scrutiny.
  - 28] The Company has not altered the provisions of the Memorandum of Association with respect to name of the Company during the year under scrutiny.
  - 29] The Company has not altered the provisions of the memorandum with respect to share capital of the Company during the year under scrutiny.
  - 30] The Company has not altered its articles of association during the financial year.
  - 31] There was no prosecution initiated against or show cause notices received by the Company and no fines or penalties or any other punishment was imposed on the Company during the financial year, for offences under the Act.
  - 32] The Company has not received any money as security from its employee during the financial year since the Company has no employee.
  - 33] The Company has not deducted any contribution towards provident fund or ESI during the financial year since the Company has no employees.

For V. Sundaram & Co.  
V. Sundaram  
Company Secretary  
CP No. 3373

Place : Mumbai  
Date : 26.07.2010

## COMPLIANCE CERTIFICATE U/S 383A (1) KARAMSAD HOLDINGS LIMITED

### ANNEXURE - A

The Company has maintained the following Registers:

- 1] Register of Investment U/s. 49
- 2] Register of Members U/s. 150
- 3] Register & Returns U/s. 163
- 4] Minutes Book of Meetings.
- 5] Books of Accounts U/s. 209
- 6] Register of Directors, Managing Directors, Manager and Secretary U/s. 303.
- 7] Register of Transfers.
- 8] Register of Documents Sealed.

### ANNEXURE – B

Forms and Returns as filed by the Company during the financial year ended March 31, 2010 with Registrar of Companies, Regional Director, Central Government or other authorities.

Sr. No	Form No.	Section	Purpose	Date of filing	Status
1	23AC & 23ACA	220	Balance Sheet, Profit & Loss Account Financial Year : 2008-09	22.10.2009	Approved
2	20B	159	Annual Return Financial Year : 2007-08 Annual Return Financial Year : 2008-09	19.06.2009* 20.11.2009	Approved Approved
3	66	383A	Compliance Certificate Financial Year : 2008-09	20.11.2009	Approved

\* Theses forms were filed with additional fees.

For V. Sundaram & Co.  
V. Sundaram  
Company Secretary  
CP No. 3373

Place : Mumbai  
Date : 26.07.2010

## AUDITORS' REPORT

### The Members of

#### Karamsad Holdings Limited

1. We have audited the attached Balance Sheet of **Karamsad Holdings Limited** as at **March 31, 2010** and the related Profit & Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies [Auditors' Report] Order, 2003 issued by the Central Government of India in terms of Sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit.
  - (ii) 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 the books.
  - (iii) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account.
  - (iv) In our opinion, the Balance Sheet and Profit & Loss Account dealt with by this report comply with Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956.
  - (v) On the basis of the written representations received from directors, as on March 31, 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2010 from being appointed as a Director in terms of Clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956.
  - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2010,
  - (b) In the case of the Profit & Loss Account, of the 'PROFIT' the company for the year ended on that date.
- and
- (c) In the case of the cash flow statement, of the cash flows for year ended on that date.

For **KANTILAL PATEL & CO.,**  
 CHARTERED ACCOUNTANTS  
 Firm Reg.No.104744W

**Rajesh G. Shah**  
 Partner

Membership No.: 36782

Place: Ahmedabad

Date : 26-07-2010

**BALANCE SHEET AS AT MARCH 31, 2010**

Particulars	Schedule	As at	As at
		31.03.2010 (Rupees)	31.03.2009 (Rupees)
<b>SOURCES OF FUNDS:</b>			
1. Shareholders' Funds:			
a) Share Capital	1	3,500,000	3,500,000
b) Reserves & Surplus Profit & Loss a/c		418,699	-
		3,918,699	3,500,000
2. Loan Funds:			
a) Unsecured Loans	2	250,000	1,403,321
<b>Total</b>		<b>4,168,699</b>	<b>4,903,321</b>
<b>APPLICATION OF FUNDS:</b>			
1. Fixed Assets		-	-
2. Investments (Refer note no.2 of sch.7)	3	332,133	1,184,342
3. Current Assets, Loans & Advances:			
a) Cash & Bank Balances	4	264,965	3,090
b) Loans & Advances	5	3,642,204	3,625,000
<b>Sub total: A</b>		<b>3,907,169</b>	<b>3,628,090</b>
Less: Current Liabilities & Provisions:	6		
Current Liabilities		12,833	32,513
Provisions		57,770	-
<b>Sub total: B</b>		<b>70,603</b>	<b>32,513</b>
<b>Net Current Assets (A-B)</b>		<b>3,836,566</b>	<b>3,595,577</b>
4. Miscellaneous Expenditure			
5. Profit & Loss Account		-	123,402
<b>Total</b>		<b>4,168,699</b>	<b>4,903,321</b>
<b>Significant Accounting Policies with Notes to the accounts</b>	7		

As per our report of even date  
For KANTILAL PATEL & CO.  
CHARTERED ACCOUNTANTS

**Rajesh. G. Shah**  
Partner  
[M. No.: 36782]

Place : Ahmedabad  
Date : 26/07/2010

For and on behalf of the Board

**N. H. Bhatt**  
**Ashok Pillai**  
Chairman  
Director

Place : Mumbai  
Date : 26/07/2010

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON MARCH 31, 2010**

Particulars	Schedule	01.04.2009	01.04.2008
		31.03.2010 (Rupees)	31.03.2009 (Rupees)
<b>INCOME:</b>			
Dividend Income - Long Term Investments (Refer note no.2 of sch.7)		247,050	-
Interest on Fixed Deposits (TDS ₹ 1,672/-)		8,495	-
Profit on Sale of Long term Investments		692,476	-
<b>Total</b>		<b>948,021</b>	<b>Nil</b>
<b>EXPENDITURE:</b>			
Auditors' Remuneration		10,000	10,494
Bank Charges		963	923
Demat Charges		1,513	-
Filing Fees		5,610	3,060
Settlement Cost (Refer note no.2 of sch.7)		290,000	-
Professional charges		37,122	9,444
Securities Transaction Tax		1,940	-
Service Tax		1,002	-
Stamp Papers		-	1,200
<b>Total</b>		<b>348,150</b>	<b>25,121</b>
Profit/(Loss) Before Tax		599,871	(25,121)
Less: Current tax (MAT)		57,770	-
Profit/(Loss) after tax		542,101	(25,121)
Add: Balance brought forward from last year		(123,402)	(98,281)
Balance carried to Balance Sheet		418,699	(123,402)
Basic and Diluted Earnings per Share of ₹ 10 each (refer note no. 3)		1.549	(0.072)
<b>Significant Accounting Policies with Notes to the accounts</b>	7		

As per our report of even date  
For KANTILAL PATEL & CO.  
CHARTERED ACCOUNTANTS

**Rajesh. G. Shah**  
Partner  
[M. No.: 36782]

Place : Ahmedabad  
Date : 26/07/2010

For and on behalf of the Board

**N. H. Bhatt**  
**Ashok Pillai**  
Chairman  
Director

Place : Mumbai  
Date : 26/07/2010

## CASH FLOW AS ON MARCH 31, 2010

PARTICULARS	31.03.2010	31.03.2009
<b>A. Cash flow from Operating Activities</b>		
Net Profit/Loss before tax and extra-ordinary items, adjusted for	599,871	(25,121)
Operating Profit/Loss before working capital changes, adjusted for	599,871	(25,121)
ADD: (Increase)/Decrease in Current Assets	(17,204)	-
Increase/(Decrease) in Current Liabilities	(19,680)	18,638
	562,987	(6,483)
Net cash Inflow/(outflow)from Operating Activities		
<b>B. Cash flow from Investing Activities</b>		
Sale of Investments	852,209	-
Net Cash inflow/(outflow) from Investing Activities	852,209	
<b>C. Cash flow from Financing Activities</b>		
Repayment of Unsecured loan	(1,153,321)	-
Net cash Inflow/(outflow)from Financing Activities	(1,153,321)	-
Net Increase/(Decrease) in Cash & Cash Equivalents (A+B+C)	261,875	(6,483)
Cash & Cash Equivalents as at		
(Opening Balance) 01/04/2009	3,090	9,573
Cash & Cash Equivalents as at		
(Closing Balance) 31/03/2010	264,965	3,090
	261,875	(6,483)

Note:

The Cash Flow statement has been prepared by the indirect method as set out in the accounting standard -3 notified in the companies(accounting standard) Rules,2006.

As per our report of even date  
For KANTILAL PATEL & CO.  
CHARTERED ACCOUNTANTS

**Rajesh.G.Shah**  
Partner  
[M. No.: 36782]

Place : Ahmedabad  
Date : 26/07/2010

For and on behalf of the Board

**N. H. Bhatt** Chairman  
**Ashok Pillai** Director

Place : Mumbai  
Date : 26/07/2010

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2010

Particulars	As at 31.03.2010	As at 31.03.2009
<b>SCHEDULE - 1</b>		
<b>SHARE CAPITAL</b>		
Authorised:		
1,000,000 Equity Shares of ₹10/- each	10,000,000	10,000,000
<b>Total ₹</b>	<b>10,000,000</b>	<b>10,000,000</b>
Issued, Subscribed & Paid-up:		
350,000 Equity Shares of ₹10/- each fully paid up	3,500,000	3,500,000
(All the above 350,000 shares are held by GMM Pfadler Ltd., the holding company & its nominee)		
<b>Total ₹</b>	<b>3,500,000</b>	<b>3,500,000</b>
<b>SCHEDULE - 2</b>		
<b>UNSECURED LOAN</b>		
From Holding Company (GMM Pfadler Ltd.)	250,000	1,403,321
<b>Total ₹</b>	<b>250,000</b>	<b>1,403,321</b>
<b>SCHEDULE - 3</b>		
<b>INVESTMENTS (LONG TERM, TRADE)</b>		
(Refer note no.2 of sch.7)		
Quoted		
5,132 (P.Y.18,300) Equity Shares of ₹10/- each fully paid up in Nile Ltd. (Market value ₹ 5,95,055/- P.Y. ₹ 8,11,605/-)	332,133	1,184,342
<b>Total ₹</b>	<b>332,133</b>	<b>1,184,342</b>
<b>SCHEDULE - 4</b>		
<b>CASH &amp; BANK BALANCES:</b>		
Cash on hand	5,642	75
With Scheduled Banks in:		
Current Account	56,932	3,015
Fixed Deposits	202,391	-
<b>Total ₹</b>	<b>264,965</b>	<b>3,090</b>
<b>SCHEDULE - 5</b>		
<b>LOANS &amp; ADVANCES</b>		
Loans to a body corporate (Karamsad Investments Ltd.)	3,625,000	3,625,000
Parag Parikh Financial Advisory Services Ltd.	15,532	-
TDS on Interest	1,672	-
<b>Total ₹</b>	<b>3,642,204</b>	<b>3,625,000</b>
<b>SCHEDULE - 6</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS:</b>		
CURRENT LIABILITIES		
Creditors for Expenses	10,000	32,513
TDS on Professional Fees	2,833	-
<b>Total ₹ (A)</b>	<b>12,833</b>	<b>32,513</b>
<b>PROVISIONS:</b>		
Income tax Provision	57,770	-
<b>Total ₹ (B)</b>	<b>57,770</b>	<b>-</b>
<b>Total ₹ (C=A+B)</b>	<b>70,603</b>	<b>32,513</b>

## SCHEDULE – 7

## SIGNIFICANT ACCOUNTING POLICIES WITH NOTES TO THE ACCOUNTS:

## 1 Accounting Policies:

- a) The financial statements are prepared under the historical cost convention, in accordance with the generally accepted accounting principles accepted in India and comply with the Companies (Accounting Standards) Rules, 2006 issued by the Central Government and relevant provisions of Companies Act, 1956 to the extent possible.
- b) Investments are considered as long-term investments and include cost of acquisition and other related expenses. Provision for diminution in value of investments is made if the fall in value is other than of a temporary nature.
- c) The company has from 01-04-2001, decided to comply with the requirements of Accounting Standard 22 (AS-22) on Accounting for taxes on Income. Income Tax expense will henceforth comprises current tax and deferred tax charge or release. Where there is carry forward losses, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future. MAT credit is recognized as an asset only when there is convincing evidence that the company will pay normal Income Tax within the specified period. The asset shall be reviewed at each Balance Sheet date.
- d) Revenue Recognition
- Dividend income is recognized when the right to receive the same is established.
  - Interest income is recognized in the Profit and Loss Account as it accrues.
  - Income from investments is recognized on the date when the transaction is executed.
2. The Company has settled the dispute with Nile Limited, relating to registration of transfer shares. Consent terms with Nile Ltd were approved by the H'onble Andhra Pradesh High Court on April 2, 2009. As per the consent term, Nile Ltd has transferred all the shares in the name of the Company. The Company has agreed to sell the shares within a period of 36 months. Nile Ltd. has paid the Company unpaid dividends of ₹ 2,47,050 and the Company has paid Nile Ltd. a sum of ₹ 2,90,000 by way of cost. Pending the sale of shares as per the consent term agreed with Nile Ltd., the company will:
- (a) Till disposal of shares not exercise voting rights on the said shares.
- (b) Till disposal of shares not pledge the said shares or place the same by way of security with any institution for any consideration whatsoever.
- (c) If any rights shares are issued by Nile Ltd. in respect of the said shares then the Company shall renounce such rights to third parties not related to the company in any way, on such terms and at such price as the Company deems fit.
3. **Earnings per share:**
- a) The amount used as numerator in calculating basic and diluted earning per share is the net profit/(loss) for the year disclosed in the Profit and Loss Account.
- b) The weighted average number of equity share used as denominator in calculating both basic and diluted earnings per share is 3,50,000.
4. Company's operates in one segment i.e. investment. Hence, segment reporting as required under Accounting Standard 17 is not disclosed.
5. The details in terms of Accounting Standard 18 regarding Related Party disclosure are provided here below:

Particulars	Nature of Relationship
GMM Pfaudler Ltd.	Holding Company
Karamsad Investments Ltd.	Fellow Subsidiary

## Details of Net transactions take place during the year

Sr. No.	Transaction	Total	(Amount in ₹)	
			Holding company	Fellow Subsidiary
1)	Repayment of unsecured loan P.Y	11,53,321	11,53,321	—
		—	—	—

6. Auditors' Remuneration:		2009-2010	2008-2009
		Rupees	Rupees
a)	Statutory Audit Fees	10,000	10494
b)	Tax matters	4564	4944
c)	Out of Pocket Expenses	1150	—

7. The Company has been legally advised that it is not a non-banking financial company within the meaning of Reserve Bank of India Act, 1934.

8. Since the company is not carrying out manufacturing or trading activities, the details prescribed under the provisions of Paragraph 4 (c), Part II, Schedule VI of the Companies Act, 1956, are not presented.

9. Particulars:	2009-2010	2008-2009
a) C.I.F. value of imports	Nil	Nil
b) Expenditure in foreign currencies	Nil	Nil
c) Earning in foreign currencies	Nil	Nil

10. Previous year figures have been re-grouped, wherever necessary to make them comparable with current year.

## 11. BALANCE SHEET ABSTRACT &amp; COMPANY'S GENERAL BUSINESS PROFILE.

I	Registration Details			
	Registration No.	04-32514	State Code	04
	Balance Sheet Date	31.03.2010		
II	Capital raised during the year:			
	Public Issue	Nil	Private Issue	Nil
	Bonus Issue	Nil	Private Placement	Nil
III	Position of Mobilisation & Deployment of Funds (Rupees in Thousand)			
	Total Liabilities	4169	Total Assets	4169
	<b>Sources of Funds</b>			
	Paid up Capital	3500	Reserves & Surplus	419
	Secured Loans	Nil	Unsecured Loans	250
	<b>Application of Funds :</b>			
	Net Fixed Assets	Nil	Investments	332
	Net Current Assets	3837	Miscellaneous Exp.	Nil
IV	Performances of Company (Rupees in Thousands):			
	Turnover	948	Total Expenditure	(-) 348
	Profit (+)/Loss (-) before Tax	600	Profit (+)/	
	Earning per share in ₹	1.549	Loss (-) after Tax	542
V	Generic names of three principal products/services of company.			
	The clause is considered as not applicable.			

As per our report of even date

For KANTILAL PATEL & CO.  
CHARTERED ACCOUNTANTS  
Firm Reg. No. 109744W

For and on behalf of the Board

**Rajesh. G. Shah**  
Partner  
[M. No.: 36782]

**N. H. Bhatt**  
**Ashok Pillai**  
Chairman  
Director

Place : Ahmedabad  
Date : 26/07/2010

Place : Mumbai  
Date : 26/07/2010



## DIRECTORS REPORT

To the Members,

Your Directors submit the Thirteenth Annual Report together with Audited Statement of Accounts for the year ended March 31, 2010.

### Financial Results:

During the year under review, your company has made loss of ₹ 101,839/-. In view of loss no dividend has been recommended.

### Investments:

During the year Company has sold 13,447 Equity Shares of Nile Limited.

### Auditors Remark:

As regards the observations made by the Auditors in their report (paragraph vi) regarding and non registration of investment in name of the Company, the said matters has been clarified in the relevant notes forming part of the accounts which are self explanatory. Hence does not call for any further comments under section 217 of the Companies Act, 1956.

### Directors Responsibility Statement:

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

- 1] That in the preparation of the annual accounts for the Financial Year ended March 31, 2010, the applicable accounting standards have been followed alongwith proper explanation relating to material departures.
- 2] That the Directors have selected such 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 and of the profit or loss of the Company for the year under review.
- 3] That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- 4] That the Directors have prepared the accounts for the financial year ended March 31, 2010 on a 'going concern' basis.

### Secretarial Audit:

Your Directors wish to state that pursuant to Section 383 A of the Companies Act, 1956, the Company has complied with all the provisions of the Act and a certificate to that effect has been obtained from a Company Secretary in whole time practice.

### Particulars of Employees:

As there are no employees, the particulars prescribed Under Section 217 (2A) of the Companies Act, 1956 are not applicable.

### Particulars Under Section 217 (1) (e):

In view of the nature of business carried on by the company, the particulars required to be furnished pursuant to Section 217 (1) (e) of the Companies Act, 1956 are not applicable.

### Directors:

Mr. Ashok Pillai, a Director of the Company retires by rotation and being eligible offers himself for re-appointment.

### Auditors:

M/s Kantilal Patel & Co., Chartered Accountants, Ahmedabad shall hold office upto this ensuing Annual General Meeting. Your directors recommend their re-appointment. Their eligibility certificate has been received for the next financial year.

For and on behalf of the Board of Directors

Place : Mumbai  
Date : 26.07.2010

Ashok Pillai  
Chairman

## COMPLIANCE CERTIFICATE U/S. 383A(1) OF COMPANIES ACT, 1956

CIN : U65990GJ1997PLC032513

Nominal Capital ₹ 100 Lakhs

The Members  
Karamsad Investments Limited  
Vithal Udyognagar,  
Karamsad – 388325  
Gujarat

We have examined all the registers, records, books and papers of Karamsad Investments Limited as required to be maintained under the Companies Act, 1956 (The Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on March 31, 2010 in our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us, by the Company, its officers and agents, we certify that in respect of the aforesaid financial year.

- 1] The Company has kept and maintained all registers as stated in ANNEXURE "A" to this certificate as per the provisions and the rules made thereunder and all entries therein have been duly recorded.
- 2] The Company has duly filled the forms and returns as stated in ANNEXURE "B" to this certificate with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made thereunder.
- 3] The Company, being a public limited Company, comments are not required.
- 4] The Board of Directors duly met four times on April 27, 2009, July 28, 2009, October 15, 2009 and January 11, 2010 in respect of which meetings, proper notices were given and the proceedings were properly recorded and signed including the circular resolution passed, in the Minutes Book maintained for the purpose.
- 5] The Company was not required to close its Register of Members during the financial year under review.
- 6] The Annual General Meeting for the financial year ended on March 31, 2009 was held on September 30, 2009 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
- 7] No Extraordinary General Meeting was held during the financial year.
- 8] The Company has not advanced any loans to its directors or persons or firms or companies referred to under Section 295 of the Companies Act, 1956.
- 9] The Company had not entered into any contracts falling within the purview of Section 297 of the Companies Act, 1956.
- 10] The Company was not required to make any entries in the register maintained under Section 301 of the Companies Act, 1956.
- 11] As there were no instances falling within the purview of section 314 of the Act, the Company has not obtained any approvals from the Boards of directors, members or Central Government.
- 12] The Company has not issued any duplicate share certificates during the financial year.
- 13] The Company has
  - (i) Delivered all the certificates on lodgment thereof for transfer in accordance with the provisions of the Companies Act, 1956.
  - (ii) The Company has not deposited any amount in a separate Bank Account as no dividend was declared during the financial year.
  - (iii) The Company was not required to post warrant to any member of the Company as no dividend was declared during the financial year.
  - (iv) The Company was not required to transfer any unpaid dividend/matured deposits/matured debentures, as the same is not applicable to the

Company since the Company has not declared any dividend or accepted any deposits or issued any debentures at any time.

- (v) Duly complied with the requirements of section 217 of the Act.
- 14] The Board of Directors is duly constituted and there were no resignation or appointment of additional director during the year.
  - 15] The Company has not appointed any Managing Director / Whole-Time Director / Manager during the financial year.
  - 16] The Company has not appointed any sole-selling agents during the financial year.
  - 17] The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar and / or such authorities prescribed under the various provisions of Act during the financial year.
  - 18] The Directors have disclosed their interest in other firms / companies to the Board of Directors pursuant to the provisions of the Act, and the rules made thereunder.
  - 19] The Company has not issued any shares, debentures or other securities during the financial year.
  - 20] The Company has not bought back any shares during the financial year.
  - 21] The Company has no redemption of preference shares or debentures during the financial year.
  - 22] There were no transaction necessitating the Company to keep in abeyance the right to dividend, rights shares and bonus shares pending registration of transfer of shares.
  - 23] The Company has not invited public deposits falling within the purview of Section 58A of the Act, during the financial year. However the holding Company GMM Pfaudler Ltd. has given an advance to the Company which is exempted.
  - 24] The Company being a public Company, the provisions of section 293 (1) (d) of the Act, are applicable to the Company. However there are no borrowings from any Bank / Financial Institution / Others.
  - 25] The Company has not made any loans or Investments during the financial year and hence no entries are made in the register kept for the purpose.
  - 26] The Company has not altered the provisions of the Memorandum of Association with respect to situation of the Company's registered office from one state to another during the year under scrutiny.
  - 27] The Company has not altered the provisions of the Memorandum of Association with respect to the objects of the Company during the year under scrutiny.
  - 28] The Company has not altered the provisions of the Memorandum of Association with respect to name of the Company during the year under scrutiny.
  - 29] The Company has not altered the provisions of the Memorandum with respect to share capital of the Company during the year under scrutiny.
  - 30] The Company has not altered its Articles of Association during the financial year.
  - 31] There was no prosecution initiated against or show cause notices received by the Company and no fines or penalties or any other punishment was imposed on the Company during the financial year, for offences under the Act.
  - 32] The Company has not received any money as security from its employee during the financial year since the Company has no employee.
  - 33] The Company has not deducted any contribution towards provident fund during the financial year since the Company has no employee.

Place : Mumbai  
Date : 26.07.2010

## COMPLIANCE CERTIFICATE U/S 383A (1) KARAMSAD INVESTMENTS LIMITED

### ANNEXURE - A

The Company has maintained the following Registers:

- 1] Register of Investment U/s. 49
- 2] Register of Members U/s. 150
- 3] Register & Returns U/s. 163
- 4] Minutes Book of Board & General Meetings.
- 5] Books of Accounts U/s. 209
- 6] Register of Directors, Managing Directors, Manager and Secretary U/s. 303.
- 7] Register of Transfers.
- 8] Register of Documents Sealed.

### ANNEXURE - B

Forms and Returns as filed by the Company during the financial year ended March 31, 2010 with Registrar of Companies, Regional Director, Central Government or other authorities.

Sr. No	Form No.	Section	Purpose	Date of filing	Status
1	23AC & 23ACA	220	Balance Sheet, Profit & Loss Account Financial Year : 2008-09	22.10.2009	Approved
2	20B	159	Annual Return Financial Year : 2007-08 Annual Return Financial Year : 2008-09	28.07.2009* 25.11.2009	Approved Approved
3	66	383A	Compliance Certificate Financial Year : 2008-09	22.11.2009	Approved

\* These forms were filed with additional fees.

For V. Sundaram & Co.  
V. Sundaram  
Company Secretary  
CP No. 3373

Place : Mumbai  
Date : 26.07.2010



**AUDITORS' REPORT****The Members of  
Karmsad Investments Limited**

1. We have audited the attached balance sheet of **Karmsad Investments Limited** as at **March 31, 2010** and the related profit & loss account for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies [Auditors' Report] Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the annexure, a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the annexure referred to in paragraph 1 above, we report that :
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit.
  - (ii) 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 the books.
  - (iii) The balance sheet and profit & loss account dealt with by this report are in agreement with the books of account.
  - (iv) In our opinion, the balance sheet and profit & loss account dealt with by this report comply with accounting standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956.
  - (v) On the basis of the written representations received from directors, as on 31st March 2010, and taken on record by the board of directors, we report that none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.
  - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (a) In the case of the balance sheet, of the state of affairs of the Company as at March 31, 2010.
    - (b) In the case of the profit & loss account, of the '**Loss**' of the company for the year ended on that date.  
and
    - (c) In the case of the cash flow statement, of the cash flows for year ended on that date.

For KANTILAL PATEL & CO.,  
CHARTERED ACCOUNTANTS  
Firm Reg.No.104744W  
**[Rajesh G. Shah]**

Partner

Place : Ahmedabad

Date : 26.07.2010

Membership No.: 36782

**ANNEXURE TO THE AUDITORS' REPORT TO THE MEMBERS OF  
KARMSAD INVESTMENTS LIMITED, ON THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2010.**

1. In our opinion and according to the information and explanations given to us, the nature of the company's business/activities during the year are such and as the company is neither engaged in the business activity of manufacturing or trading nor it has any fixed assets or inventory, nor it has obtained any borrowing facility from any bank or financial institution, nor it has granted loans and advances on the basis of security by way of pledge of shares and debentures and other security nor it has given guarantee for loans taken by others from bank or financial institutions and hence clause (i), (ii), (iv), (viii), (xi), (xii), (xv), (xvi), (xviii), (xix) and (xx) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
2.
  - (a) The company has not granted any loan, secured or unsecured to any company, firm or party.
  - (b) The company has taken interest free unsecured loans from two companies covered in the register maintained under Section 301 of the Companies Act, 1956. The company has taken loan from the Holding company (maximum balance involved is ₹ 1,23,64,291) closing balance is ₹ 1,23,50,000 and from other body corporate maximum and closing balance is ₹ 36,25,000.
  - (c) The other terms and conditions of the said unsecured loans are also not prima facie prejudicial to the interest of the company.
  - (d) The terms of repayment of interest free loans taken from holding company and the other body corporate are not stipulated and hence we have no comments for repayment.
3. The company has not entered into any transaction that need to be entered into a register in pursuance of Section 301 of the Companies Act, 1956 and hence sub-clause (b) of the para 4(v) is not applicable.
4. The company has not accepted deposits from public during the year under audit hence the provisions of Section 58A & 58AA of the Companies Act, 1956 or any relevant provisions of the act and the rules framed there under are considered as not applicable.
5. We have no comments to make under clause (vii) of paragraph 4 of the order as the paid-up capital and reserves of the company did not exceed ₹ 50 lakhs as at the commencement of the financial year nor the average annual turnover of the company exceeded ₹ 5 crores for the period of three consecutive financial years immediately preceding the financial year under review.
6. During the year there are no disputed or undisputed income tax dues which need to be deposited and also we have been informed that provisions of other Laws under which other statutory dues mentioned in the clause (ix) are covered, are not applicable to the company.
7. The company has been registered for a period, which is not less than five years, and it has losses at the end of the financial year which are less than fifty per cent of its net worth. Further, the company has incurred cash losses in the financial year under review and in the immediately preceding financial year.
8. To the best of our knowledge and as confirmed to us by the management, no special statutes are applicable to the company.
9. The company has maintained proper records of the transactions and contracts in respect of investments and has also made timely entries therein.
10. As informed to us by the management and on the basis of review of utilization of funds on an overall basis, no funds were raised on short term basis.
11. Based on the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the year.

For KANTILAL PATEL & CO.,  
CHARTERED ACCOUNTANTS  
Firm Reg.No.104744W  
**[Rajesh G. Shah]**

Partner

Place : Ahmedabad

Date : 26.07.2010

Membership No.: 36782

**BALANCE SHEET AS AT MARCH 31, 2010**

Particulars	Schedule	As at	As at
		31.03.2010	31.03.2009
		(Rupees)	(Rupees)
<b>SOURCES OF FUNDS:</b>			
1. Shareholders' Funds:			
a) Share Capital	1	2,600,000	2,600,000
b) Reserves & Surplus		-	-
		<b>2,600,000</b>	2,600,000
2. Loan Funds:			
a) Secured Loans		-	-
b) Unsecured Loans	2	15,975,000	15,989,291
<b>Total ₹</b>		<b>18,575,000</b>	18,589,291
<b>APPLICATION OF FUNDS:</b>			
1. Fixed Assets		-	-
2. Investments (Refer Note.No.2 of Sch.7)	3	17,591,350	18,374,247
3. Current Assets, Loans & Advances:			
a) Cash & Bank Balances	4	640,519	10,811
b) Loans & Advances	5	16,830	-
<b>Sub Total A</b>		<b>657,349</b>	10,811
Less: Current Liabilities & provisions:	6		
Current liabilities		12,833	32,713
Provisions		-	-
<b>Sub Total B</b>		<b>12,833</b>	32,713
<b>Net Current Assets (A-B)</b>		<b>644,516</b>	(21,902)
4. Miscellaneous Expenditure		-	-
(To the extent not written off or adjusted)			
5. Balance of profit and loss account		339,134	236,946
<b>Total ₹</b>		<b>18,575,000</b>	18,589,291
<b>Significant Accounting Policies with</b>			
<b>Notes to the accounts</b>	7		

This is the Balance Sheet referred  
As per our report of even date  
For KANTILAL PATEL & CO.  
CHARTERED ACCOUNTANTS

**Rajesh.G.Shah**  
Partner  
[M. No.: 36782]

For and on behalf of the Board

**Ashok Pillai** Chairman  
**A. N. Mohanty** Director

Place : Ahmedabad  
Date : 26.07.2010

Place : Mumbai  
Date : 26.07.2010

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010**

Particulars	Schedule	01.04.2009	01.04.2008
		31.03.2010	31.03.2009
		(Rupees)	(Rupees)
<b>INCOME:</b>			
Interest on Fixed Deposit (TDS ₹ 1535)		11,387	-
Dividend Income - Long Term Investments (Refer Note.No.2 of Sch.7)		4,260,534	-
Profit on Sale of Long term Investments		696,753	-
<b>Total ₹</b>		<b>4,968,674</b>	Nil
<b>EXPENDITURE:</b>			
Audit Fees & Expenses		10,000	10,494
Bank Charges		13,332	150
Demat Charges		1,677	-
Filing Fees		5,610	3,060
Settlement cost (Refer Note No.2 of Sch.7)		5,000,000	-
Professional charges		37,122	9,444
Securities Transaction Tax		1,859	-
Service Tax		962	-
Stamp Paper Charges		300	1,400
<b>Total ₹</b>		<b>5,070,862</b>	24,548
Profit/(Loss) Before Tax		(102,188)	(24,548)
Less: Provision for Tax		-	-
Profit/(Loss) After Tax		(102,188)	(24,548)
Add: Balance brought forward from last year		(236,946)	(212,398)
<b>Balance carried to Balance Sheet</b>		<b>(339,134)</b>	(236,946)
Basic and Diluted Earnings per share of ₹ 10 each (refer note no. 3)		(0.3930)	(0.0944)
<b>Significant Accounting Policies with</b>			
<b>Notes to the accounts</b>	7		

This is the Profit & Loss account referred  
As per our report of even date  
For KANTILAL PATEL & CO.  
CHARTERED ACCOUNTANTS

**Rajesh.G.Shah**  
Partner  
[M. No.: 36782]

For and on behalf of the Board

**Ashok Pillai** Chairman  
**A. N. Mohanty** Director

Place : Ahmedabad  
Date : 26.07.2010

Place : Mumbai  
Date : 26.07.2010

## CASH FLOW AS ON MARCH 31, 2010

Particulars	31.03.2010	31.03.2009
<b>A. Cash flow from Operating Activities</b>		
Net Profit/Loss before tax and extra-ordinary items, adjusted for	(102,188)	(24,548)
Operating Profit/Loss before working capital changes, adjusted for	(102,188)	(24,548)
ADD: Increase/(Decrease) in Current Liabilities	(19,880)	18,838
ADD: (Increase)/Decrease in Current Assets	(16,830)	-
<i>Net cash from operating Activities</i>	<b>(138,898)</b>	(5,710)
<b>B. Cash flow from Investing Activities</b>		
sale of Investments	782897	-
<i>Net cash from Investing Activities</i>	<b>782,897</b>	-
<b>C. Cash Flow from Financing Activities</b>		
Repayment of Borrowing	(14291)	-
<i>Net cash from Financing Activities</i>	<b>(14,291)</b>	-
Net Increase/(Decrease) in Cash & Cash Equivalents (A+B+C)	<b>629,708</b>	(5,710)
Cash & Cash Equivalents as at		
(Opening Balance) 01/04/2009	<b>10,811</b>	16,521
Cash & Cash Equivalents as at		
(Closing Balance) 31/03/2010	<b>640,519</b>	10,811
	<b>629,708</b>	(5,710)

Note:

The Cash Flow statement has been prepared by the indirect method as set out in the Accounting Standard -3 notified in the companies (Accounting Standard) Rules, 2006.

This is the Cash Flow Statement referred

As per our report of even date

For KANTILAL PATEL &amp; CO.

CHARTERED ACCOUNTANTS

For and on behalf of the Board

**Rajesh. G. Shah**

Partner

[M. No.: 36782]

**Ashok Pillai****A. N. Mohanty**

Chairman

Director

Place : Ahmedabad

Date : 26.07.2010

Place : Mumbai

Date : 26.07.2010

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2010

Particulars	As at 31.03.2010	As at 31.03.2009
<b>SCHEDULE - 1</b>		
<b>SHARE CAPITAL</b>		
Authorised:		
1,000,000 Equity Shares of ₹ 10/- each	10,000,000	10,000,000
<b>Total ₹</b>	<b>10,000,000</b>	<b>10,000,000</b>
Issued, Subscribed & Paid-up:		
260,000 Equity Shares of ₹ 10/- each fully paid up	<b>2,600,000</b>	2,600,000
(All the above 260,000 shares are held by GMM Pfudler Limited, the holding Company & its nominee)		
<b>Total ₹</b>	<b>2,600,000</b>	<b>2,600,000</b>
<b>SCHEDULE - 2</b>		
<b>UNSECURED LOAN</b>		
From Holding Company (GMM Pfudler Limited)	<b>12,350,000</b>	12,364,291
From Other Body Corporate (Karamsad Holdings Limited)	3,625,000	3,625,000
<b>Total ₹</b>	<b>15,975,000</b>	<b>15,989,291</b>
<b>SCHEDULE - 3</b>		
<b>INVESTMENTS (LONG TERM, TRADE)</b> (Refer Note No.2 of Sch.7)		
Quoted		
302148 (P.Y 315,595) Equity Shares of ₹ 10/- each fully paid up in Nile Limited (Refer note no. 2)		
(Market Value ₹ 3,50,34,061/- P. Y. ₹ 1,39,96,638/-)	<b>17,591,350</b>	18,374,247
<b>Total ₹</b>	<b>17,591,350</b>	<b>18,374,247</b>
<b>SCHEDULE - 4</b>		
<b>CASH &amp; BANK BALANCES:</b>		
Cash on hand	<b>4,942</b>	50
With Scheduled Banks:		
In Current Account	<b>79,799</b>	10,761
Fixed Deposits	<b>555,778</b>	-
<b>Total ₹</b>	<b>640,519</b>	<b>10,811</b>
<b>SCHEDULE - 5</b>		
<b>LOANS &amp; ADVANCES</b>		
Parag Parikh Financial Advisory Service Ltd.	<b>15,295</b>	-
TDS on Interest from Dena Bank	<b>1,535</b>	-
<b>Total ₹</b>	<b>16,830</b>	-
<b>SCHEDULE - 6</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS:</b>		
<b>CURRENT LIABILITIES:</b>		
Sundry Creditors	<b>10,000</b>	32,713
TDS on Professional Fees	<b>2,833</b>	-
<b>Total ₹</b>	<b>12,833</b>	<b>32,713</b>

**SCHEDULE – 7**

**SIGNIFICANT ACCOUNTING POLICIES WITH NOTES TO THE ACCOUNTS:**

**1. Accounting Policies:**

- a) The financial statements are prepared under the historical cost convention, in accordance with the generally accepted accounting principles accepted in India and comply with the Companies (Accounting Standards) Rules, 2006 issued by the Central Government and relevant provisions of Companies Act, 1956 to the extent possible
- b) Investments are considered as long-term investments and include cost of acquisition and other related expenses. Provision for diminution in value of investments is made if the fall in value is other than of a temporary nature.
- c) The company has from 01-04-2001, decided to comply with the requirements of Accounting Standard 22 (AS-22) on Accounting for taxes on Income. Income tax expense will henceforth comprises current tax and deferred tax charge or release. Where there is carry forward losses, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future.
- d) Revenue Recognition
  - Dividend income is recognized when the right to receive the same is established
  - Interest income is recognised in the Profit and Loss Account as it accrues.
  - Income from investments is recognized on the date when the transaction is executed
2. The Company have settled the dispute with Nile Limited, relating to registration of transfer shares. Consent terms with Nile Limited were approved by the Honorable Andhra Pradesh High Court on April 2, 2009. As per the consent term, Nile Limited has transferred all the shares in the name of the Company. The Company has agreed to sell the shares within a period of 36 months. Nile limited has paid the Company unpaid dividends of ₹ 42,60,534 and the Company has paid Nile Limited a sum of ₹ 50,00,000 by way of cost. Pending the sale of shares as per the consent term agreed with Nile Limited, the company will:
  - (a) Till disposal of shares not exercise voting rights on the said shares.
  - (b) Till disposal of shares not pledge the said shares or place the same by way of security with any institution for any consideration whatsoever.
  - (c) If any rights shares are issued by Nile Limited in respect of the said shares then the Company shall renounce such rights to third parties not related to the company in any way, on such terms and at such price as the Company deems fit.
3. Earnings per share:
  - a) The amount used as numerator in calculating basic and diluted earnings per share is the net profit/(loss) for the year disclosed in the Profit and loss account.
  - b) The weighted average number of equity share used as denominator in calculating both basic and diluted earnings per share is 2,60,000.
4. Company's operates in one segment, i.e., Investment. Hence, segment reporting as required under Accounting Standard 17 is not disclosed.
5. The details in terms of Accounting Standard 18 regarding Related Party disclosure, is provided here below:

Particulars	Nature of Relationship
GMM Pfadler Limited	Holding Company
Karamsad Holdings Limited	Fellow Subsidiary

**Details of Net transactions**

(Amount in ₹)

Sr. No.	Transaction	Total	Holding company	Fellow Subsidiary
1)	Repayment of unsecured loan P.Y	14,291	14,291	-
		-	-	-

6. Auditors' Remuneration:		2009-2010	2008-2009
		Rupees	Rupees
a)	Statutory Audit Fees	10,000	10494
b)	Tax matters	4564	4944
c)	Out of Pocket Expenses	1150	-

7. The company has been legally advised that it is not a non-banking financial company within the meaning of Reserve Bank of India Act, 1934
8. Since the company is not carrying out manufacturing and trading activities, the details prescribed under the provisions of paragraph 4 (c) of Part II of Schedule VI of the companies Act, 1956 are not presented.

9. Particulars :		2009-2010	2008-2009
a)	C.I.F. value of imports	Nil	Nil
b)	Expenditure in foreign currencies	Nil	Nil
c)	Earning in foreign currencies	Nil	Nil

10. Previous year figures have been re-grouped, wherever necessary to make them comparable with current year.

**11. BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE.**

I	Registration Details			
	Registration No.	04-32513	State Code	04
	Balance Sheet Date	31.03.2010		
II	Capital raised during the year:			
	Public Issue	Nil	Private Issue	Nil
	Bonus Issue	Nil	Private Placement	Nil
III	Position of Mobilisation & Deployment of Funds (Rupees in Thousand)			
	Total Liabilities	18,575	Total Assets	18,575
	<b>Sources of Funds:</b>			
	Paid up Capital	2,600	Reserves & Surplus	(-) 339
	Secured Loans	Nil	Unsecured Loans	15,975
	<b>Application of Funds:</b>			
	Net Fixed Assets	Nil	Investments	17,591
	Net Current Assets	89	Miscellaneous Exp.	Nil
IV	Performance of Company (Rupees in Thousands):			
	Turnover	4,969	Total Expenditure	(-) 5,071
	Profit (+)/Loss (-) before Tax	(-) 102	Profit (+)/Loss (-)	(-)102
	Earning per share in ₹	(-) 0.391	after Tax	
V	Generic names of three principal products/services of Company.			
	The clause is considered as not applicable.			

As per our report of even date

For KANTILAL PATEL & CO.  
CHARTERED ACCOUNTANTS

For and on behalf of the Board

**Rajesh G. Shah**  
Partner  
[M. No.: 36782]

**Ashok Pillai** Chairman  
**A. N. Mohanty** Director

Place : Ahmedabad

Date : 26.07.2010

Place : Mumbai

Date : 26.07.2010

### REGISTERED OFFICE & WORKS

Vithal Udyognagar,  
Anand Sojitra Road,  
Karamsad - 388 325.  
Gujarat.  
Tel: (02692) 661700  
Fax: (02692) 661888  
Email: worksko@gmmpfaudler.co.in

### SALES OFFICES

#### Ahmedabad

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3rd Floor, Ashram Road,  
Ahmedabad - 380 009.  
Tel: (079) 2754 6822, 2754 6924  
Fax: (079) 2754 6894  
Email: sales.ahmd@gmmpfaudler.co.in

#### Bangalore

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No. 1, 3rd Cross Lalbagh Road,  
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#### Chennai

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Fax: (044) 2815 8249  
Email: sales.chn@gmmpfaudler.co.in

### CORPORATE OFFICE

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#### Vadodara

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