



**ELANTAS Beck India Ltd.**

**Annual Report 2010.**

 **ELANTAS**  
Electrical Insulation

**Board of Directors**

Dr. Matthias Wolfgruber  
Chairman

Dr. Wolfgang Schütt

Mr. Ravindra Kulkarni

Mr. Pradeep Mallick

Mr. Suresh Talwar

Mr. Prashant Deshpande  
(Alternate to Dr. Matthias Wolfgruber)

Mr. Sharadkumar Shetye  
(Alternate to Dr. Wolfgang Schütt)

Mr. Rajeev Bhide  
Managing Director

**Executive Management**

Mr. Rajeev Bhide  
Managing Director

Mr. Prashant Deshpande  
Director- Marketing

Mr. Sharadkumar Shetye  
Director- Manufacturing

Mr. Sanjay Kulkarni  
General Manager - Finance & Materials

**Company Secretary & Head-Legal**

Mr. Shirish Dabir

**Registered Office & Corporate Office**

'Beck House', Damle Path,  
Off Law College Road,  
Pune 411 004

**Works**

147, Mumbai-Pune Road,  
Pimpri, Pune 411 018

Plot No. 1 (A, B & C) & 122,  
GIDC Industrial Area,  
Ankleshwar 393 002

**Regional Offices**

Bengaluru, Kolkata, New Delhi

**website**

<http://www.elantas.com/beck-india>

**Auditors**

BSR & Co.  
Chartered Accountants  
703, Godrej Castlemaine,  
Next to Ruby Hall Clinic,  
Bund Garden Road,  
Pune 411001.

**Internal Auditors**

Mahajan & Aibara  
1 Chawla House,  
62 Woodhouse Road, Colaba,  
Mumbai 400 005.

**Solicitors**

Talwar Thakore & Associates  
3rd Floor, Kalpataru Heritage,  
127 M.G. Road, Fort,  
Mumbai 400 001.

**Bankers**

The Bank of Nova Scotia  
HDFC Bank Ltd.

**Registrars & Share Transfer Agents**

Sharepro Services (India) Pvt. Ltd.  
Sam Hita Warehousing Complex,  
Warehouse No 52 & 53, Plot No 13AB,  
2nd Floor, Sakinaka, Andheri (East),  
Mumbai 400 072.

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## Directors' Report

To the Members,

The Directors have pleasure in presenting the Fifty-fifth Annual Report and the Audited Accounts for the financial year ended 31 December 2010.

### Financial Highlights

(₹, 000)

	Year ended 31.12.2010	Year ended 31.12.2009
Income from operations	2,576,592	2,017,955
Profit before Interest, Depreciation & Tax	521,277	498,054
Depreciation	47,621	36,829
Interest	327	307
Profit Before Tax	473,329	460,918
Provision for tax	149,391	144,720
Net Profit	323,938	316,198
Profit & Loss Account brought forward	829,169	586,329
Profit available for appropriation	1,153,107	902,527
Appropriations:		
Proposed dividend	35,675	35,675
Tax on Dividend distributed	5,787	6,063
Transfer to General Reserve	32,394	31,620
Carried to Profit & Loss Account	1,079,251	829,169
	1,153,107	902,527

### Performance

The sales at ₹ 2514 million for the year ended 31 December 2010 registered a 29% growth over the sales of ₹ 1949 million for the previous year ended 31 December 2009. In terms of sales quantity, the tonnage sold during the year ended 31 December 2010 has increased by 23 % over the previous year.

Input costs, however, showed a steady rise during the year under review, thereby putting contribution margin under pressure.

The aforementioned growth in sales and prudent cost management resulted in an increase in Profit Before Tax, in spite of higher raw material costs.

### Dividend

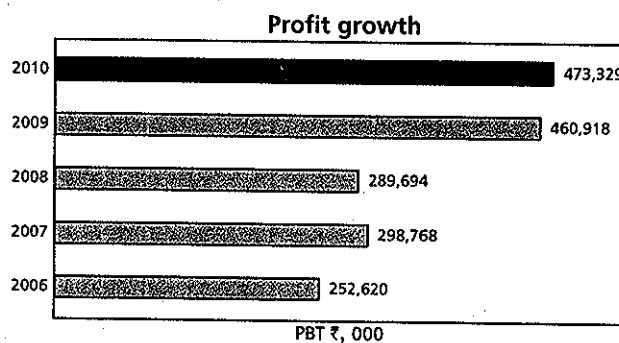
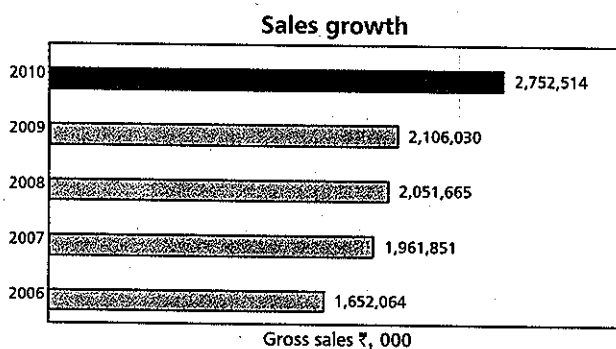
The Directors are pleased to recommend a dividend of ₹ 4.50 per equity share, for the year ended 31 December 2010, in view of the performance of the Company for the said year.

### Directors

Mr. Suresh Talwar and Mr. Pradeep Mallick retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

As per the requirement under the Listing Agreement, particulars of Directors seeking re-appointment at the ensuing Annual General Meeting form part of the Notice of the meeting.

None of the Directors is disqualified from being appointed as or holding office as Directors, as stipulated under Section 274 of the Companies Act, 1956.



**Corporate Governance**

The Company has adopted robust Corporate Governance practices, which adequately address the requirements arising out of the Listing Agreement entered into by the Company. The Company reviews these practices periodically for verifying effectiveness of their implementation in line with applicable provisions.

Pursuant to Clause 49 of the Listing Agreement, the Management Discussion and Analysis Report, Report on Corporate Governance and the Auditors' Certificate regarding compliance of the same form an integral part of this Annual Report.

**Listing on Bombay Stock Exchange**

The Company's shares are listed on the Bombay Stock Exchange Limited (BSE).

**Directors' Responsibility Statement**

Pursuant to Section 217 (2AA) of the Companies Act, 1956, after due inquiry and on the basis of the information received from the operating management and relying upon the report of the Auditors regarding compliance with the Accounting Standards, the Directors confirm that:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed, along with appropriate explanations relating to material departures.
2. the accounting policies have been consistently applied, and reasonable and prudent judgment and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31 December 2010, and the profit for the year ended on that date.
3. 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 preventing and detecting fraud and other irregularities.
4. the annual accounts have been prepared on a going concern basis.

**Cost Audit**

Dhananjay V Joshi & Associates, Cost Accountants, have been re-appointed for the year 2011 to conduct an audit of the cost accounting records maintained by the Company in respect of Synthetic Resins and Varnishes.

**Auditors**

The Auditors, BSR & Co., Chartered Accountants, Mumbai, retire at the forthcoming Annual General Meeting and are eligible for re-appointment. The Audit Committee recommends the re-appointment of BSR & Co., as Auditors of the Company for the year 2011. The Company has received a letter from retiring Auditors to the effect that their appointment, if carried out, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956.

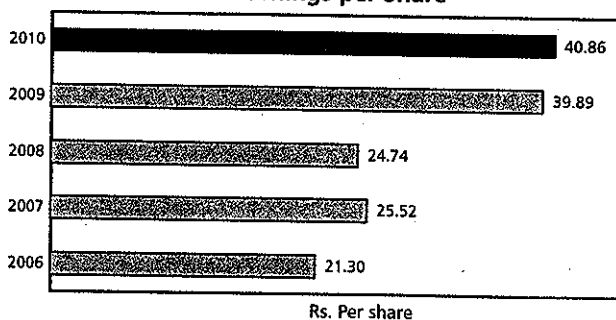
**Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**

Information as required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, relating to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo, is given in Annexure A to this report.

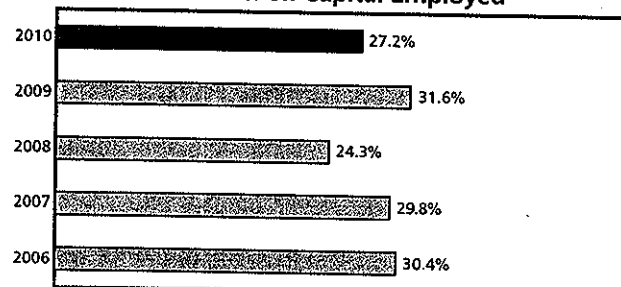
**Particulars of Employees**

Information to be provided under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, is given in Annexure B forming part of this report.

**Earnings per Share**



**Return on Capital Employed**



#### Industrial Relations

The Company reached amicable settlements with its workmen at Pimpri and Ankleshwar. These wage settlements, which will remain in effect for a three year period between 1 January 2010 and 31 December 2012, were negotiated separately for the two sites on the basis of a "Region cum Industry" principle.

During the year under review, industrial relations continued to remain cordial.

The Board wishes to place on record its appreciation to all employees for their continued contribution to the performance of the Company.

For and on behalf of the Board

Pune  
15 February 2011

Suresh Talwar  
Director

Rajeev Bhide  
Managing Director

## Annexure A to the Directors' Report

### A. CONSERVATION OF ENERGY:

(a) Following measures were taken to conserve energy:

- Replacement of existing Boilers to conform to the Indian Boiler Act (Amendment in 2007) and IBR regulation
- Completion of Process Instrumentation & automation for new equipments at Ankleshwar aimed at optimizing productivity and efficiency
- Installation of Storage tanks for Finished Goods and Intermediates for wire enamels to enhance storage capacity, eliminate drums filling, improve efficiency and reduce handling
- Installation of energy efficient LED Lighting System at selected places
- Replacement of Primary and Secondary pumps of Thermopac hot oil units and reactors to increase the flow of hot oil system, achieve process time reduction and conserve energy
- Installation of Flame-proof hoist for new reactor used for charging solid raw materials
- Installation of Barrel pumps in place of vacuum pumps to save electricity, fuel and water
- Installation of oil vacuum pump for saving electricity and water
- Optimisation of batch sizes of E&EM products towards saving unit cost of energy consumed
- Replacement of old accessories with new energy efficient versions

(b) Additional investments and proposals being implemented for reduction of consumption of energy:

- Plant re-organization aimed at optimization of productivity and efficiency
- Installation of intermediate Storage tanks for Varnish & Alkyd products to enhance energy efficiency, reduce drum handling
- Installation of additional thinning capacity for Wire enamels for capacity enhancement and increased cost effectiveness
- Further installation of process Instrumentation & automation aimed at enhanced productivity and efficiency
- Replacement of old accessories with new energy efficient versions
- Installation of Pneumatic conveying system for charging Powders
- Installation of diffused aeration system for Effluent Treatment Plant at Pimpri aimed at cost and energy efficient ETP operations
- Installation of a new boiler and chilled water plant

(c) Impact of (a), (b) above for reduction of energy consumption and consequent impact on the cost of production of goods

- Cost effective manufacturing resulting from savings due to reduction in overall energy consumption per Metric Ton of production especially through reduced electricity and fuel consumption

**I ELANTAS Beck India Ltd. I Annexure A to the Directors' Report I 05**

**(d) Total energy consumption and energy consumption per unit of production:**

	<b>Year ended 31 December 2010</b>	Year ended 31 December 2009
<b>a. POWER &amp; FUEL CONSUMPTION</b>		
<b>1) Electricity</b>		
a) Purchased Unit (KWH in 000)		
Total KWH	<b>25,254</b>	21,975
Total amount (₹, 000)	<b>141,064</b>	123,589
Rate/KWH (₹)	<b>5.59</b>	5.62
b) Own generation		
i) Through Diesel generator		
Units (KWH in '000)	<b>2,342</b>	1,947
Units per litre of Diesel Oil	<b>3.20</b>	3.23
Cost/Unit (₹)	<b>12.73</b>	11.34
ii) Through Steam turbine/generator		
Units (KWH)	-	-
Units per litre of fuel oil / gas	-	-
Cost/Unit (₹)	-	-
<b>2) Coal</b>		
Quantity (Tonnes)	-	-
Total amount (₹, 000)	-	-
Average Rate (₹/MT)	-	-
<b>3) Furnace Oil (LDO/HSD)</b>		
Quantity (K. Ltrs)	<b>263.43</b>	242.52
Total amount (₹, 000)	<b>112,933</b>	86,048
Average Rate (₹/KL)	<b>42,870</b>	35,482
<b>4) Natural Gas</b>		
Quantity (KM3)	<b>468.79</b>	399.41
Total amount (₹, 000)	<b>72,301</b>	54,710
Rate (₹/KM3)	<b>15,423</b>	13,697
<b>b. CONSUMPTION PER M. T. OF PRODUCTION</b>		
Products : Wire Enamels, Impregnating Varnishes & Synthetic Resins		
Electricity (KWH)	<b>160.43</b>	175.78
Furnace Oil in Litres (LDO/HSD)	<b>15.31</b>	17.82
Coal	-	-
Natural Gas	<b>27.25</b>	29.35
Others	-	-

**B TECHNOLOGY ABSORPTION**

**1. Specific areas in which R & D was carried out by the Company**

The Company's Research and Development Centre (R&D Centre) was engaged in the development of new synthetic insulation materials for application in the electrical industries, and in the absorption of technology acquired from overseas affiliates of the ELANTAS Group for the manufacture of certain wire enamels to meet local customer requirements. The R&D Centre also worked on the development of more eco-friendly wire enamels based on raw materials having lower toxicity. Further, development of coatings for the construction industry with focus on developing water based products was also carried out.

The past efforts taken towards participating in training programme for M.Tech. students from local institutes on subjects which are complimentary to our business, were continued. Two poster presentations were made at a renowned Institute, on the use of Nano additives in wire enamels and synthesis of a new varnish intermediate.

A new software for preparing Material Safety Data Sheets (MSDS) was installed and used for regular products sold by the Company as well as in releasing new products with more eco-friendly features.

**2. Benefits derived as a result of the above R & D**

Some of the new products introduced and process improvements conducted were:

- Eco-friendly and less toxic and ROHS compliant variants of wire enamel and epoxy compound products
- Development of a new version of a cost effective air drying varnish

## 06 | ELANTAS Beck India Ltd. | Annexure A to the Directors' Report |

- Development of new modified anhydride hardener for epoxy insulating systems
  - Introduction of two new products in the E&EM business segment
  - Bilateral exchange of technology with the Global R&D network of ELANTAS aimed at knowledge sharing, problem solving and shortcoming development lead-time
  - Development of a water based polyurethane flooring system
  - Cost reduction and process improvement in manufacturing
  - Development of a new substitute additive for manufacturing wire enamels
3. Future plan of action
- Continue development work on less toxic and ROHS compliant wire enamels and varnishes
  - Continue adaptation of new product from group companies under technology transfer in our business segments to cater to local demand potential
  - Initiate and continue participation in new global R&D projects for the benefit of local and global customers
  - Increase the level of interaction and collaboration with local institutes working in the area of research in polymer industry and other areas complimentary to the Company's business
  - Undertake new project under the *Responsible Care* initiative
  - Two patents are proposed to be filed in the area of Wire Enamels
4. Expenditure on R & D

(₹, 000)

	Year ended 31.12.2010	Year ended 31.12.2009
(a) Capital	2,011	51,124
(b) Recurring	36,993	25,890
(c) Total	39,004	77,014
(d) Total R & D expenditure as a percentage of total turnover	1.42	3.66

### 5. Technology absorption, adaptation & innovation:

The technology received from our collaborators and / or affiliate companies in respect of new product is modified / adapted to suit customers' needs.

Information regarding technology acquired through purchase/licencing arrangements during the last five years:

Technology imported	Year of Import	Has the Technology been fully absorbed	If not, when to be absorbed
1. Absorption of technology from Shimo Resins Pvt. Ltd.	2009	Yes	-
2. Absorption of wire enamel technology from affiliate company in Italy.	2010	No	2011

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

The information regarding foreign exchange earnings and outgo is contained in Note Nos. 26 & 24 respectively to the financial statements.

## Annexure B to the Directors' Report

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975 forming part of the Directors' Report for the year ended 31 December 2010.

Name	Designation	Remuneration Subject to tax (₹)	Qualification	Age & Experience (Years)	Date of commencement of employment	Last employment held, Designation and Organization
Mr. Rajeev Bhide	Managing Director	5,988,371	B.Com., F.C.A., Post Graduation D.M.M.	53/30	01.03.2000	Vice-President-Finance. International Computers (India) Ltd., Pune.
Mr. Prashant Deshpande	Director- Marketing	4,774,461	B.E. (Elec.), M.B.A. P.G.- Power Systems	66/45	01.04.1986	Div. Marketing Manager. Crompton Greaves Ltd., Nasik.
Mr. Sharadkumar Shetye	Director- Manufacturing	4,514,954	B.Tech.(Chemical Engg.) D.B.M., M.M.S	62/40	20.10.1971	-

#### Notes:

1. The nature of employment is contractual.
2. Other terms and conditions: as per Company's rules.
3. Gross remuneration includes allowances, Company's contribution to provident and superannuation funds, provision for medical entitlement as per Company's rules, monetary value of perquisites calculated as per Income Tax Act / Rules and does not include provisions for leave encashment, premium for gratuity and group insurance.

## Management Discussion & Analysis Report

Over the last couple of years, a resilient Indian economy was able to withstand the impact of the global slowdown quite effectively. It displayed an ability to recover rapidly and performed better than many developed economies. India's GDP grew @ 7.4% in the fiscal year 2009-10 and estimates suggest that the economy is likely to grow @ 8.75% during 2010-11. Such a growth is likely to come from robust growth in Agriculture, Manufacturing & Services sectors.

During the previous year, food inflation remained a global problem across economies and this is likely to continue. Most advanced economies witnessed a weak recovery in 2010 but hope to see better prospects emerging in 2011. The emerging markets are expected to see good growth rates but the situation in the US and parts of Europe (except Germany) remain uncertain. Inflation is expected to rise in Asia and other emerging economies but is expected to stay weak in US, Europe and Japan.

During the year under review, despite an encouraging GDP growth rate, spiraling domestic food price inflation remained a major cause of worry and this situation has not visibly improved in the recent months, dampening investor sentiment. During the second half of 2010, gradual firming up of prices of commodity chemicals, globally as well as locally, adversely affected the Company's costs of raw material supplies & purchases and consequently imposed a significant pressure on the Company's margins. This increase in input costs, however, was partially mitigated through strategic global procurement & sourcing with the help of ALTANA's global purchasing network, as well as successful raw material substitution efforts. Continuous thrust on R&D, modernization, process innovation, and effective cost management enabled the Company to end the year on a satisfactory note.

Supply of high quality products & technical services of consistent quality, offering innovative and customized solutions to its valued customers and adapting & introducing new and improved global products into the Indian market, remain the primary objectives of the Company.

### Segment wise Performance

#### Electrical Insulation Systems

Our business of Electrical Insulation Systems (EIS) comprises of two business lines, namely Primary Insulations (PI) and Secondary Insulations (SI). The EIS business continues to be the major revenue driver for the Company and accounts for almost 80% of the total Sales revenues of the Company.

A few key growth and performance indicators in 2010 pertaining to the relevant sectors of the Indian economy that influence the Company's EIS business are estimated as follows:

- Growth in Manufacturing Sector: 12%
- Power Sector – Growth in installed generating capacity: 8.75%
  - This is the highest achieved in the last 3 years.
- Growth in Auto Electricals Sector: 18%
- Growth in Electricals Equipments Sector: 15%
- Growth in Consumer Durables Sector: 12%

With the above performance in the background, the EIS business of the Company has grown 20% by volume and 29% by value, over 2009. This performance not only reflects the Company's full participation in the industry growth but also reflects further consolidation of the EIS business at the market place. A host of strategies adopted by the management such as introduction of new technologies, product innovation, customer driven R&D, strategic product-price performance management and key account management, collectively resulted in this satisfactory performance. The Company is reasonably hopeful of repeating this performance during the coming year as well as ensuring its continued market leadership position.

However, competition is becoming increasingly fierce with a number of overseas competitors planning to enter the fray in order to attack the speciality product lines of the Company. The Company has already taken steps to counter such competitive pressures by initiating a number of technical projects and pro-active measures. Such measures include the rapid, selective introduction of successful products and technologies from its affiliate overseas in order to maintain its market position and standing.

The Company is an important part of ALTANA's Electrical Insulation Systems Division- ELANTAS and enjoys the benefit of having easy access to various successful global R&D solutions and initiatives being introduced. These developments and solutions, it is believed, will provide the edge needed by our valued customers to succeed.

Going forward, the Company is also concerned about the present volatility in raw material prices, which has been adversely affecting input costs. The volatility is likely to stay for a while owing to the peculiar economic scenario prevalent locally as well as globally thereby denying any stable price regime for the time being. This phenomenon has been duly factored-in while reviewing the Company's short term business outlook, which is viewed with cautious optimism.



### Electronic & Engineering Materials

The business segment primarily includes three major product lines and involves the manufacture of a variety of performance oriented, speciality products and solutions going into diverse electronic, electrical and engineering applications. These are as follows:

- Electronic & Electrical (EL) Compounds
- Speciality Resins for special purpose paint applications
- Construction chemicals

Within this business segment, the business of Electronic & Electrical Compounds is a major thrust area for the Company and involves manufacturing insulating systems having casting, potting and encapsulating applications with end-use in electronic and electrical components & parts.

During the year under review, the Company completed the full integration of technology and products acquired in 2009 from Shimo Resins Pvt. Ltd., in the area of EL Compounds. Focused efforts directed at attaining major growth and an improved market position were taken by the management in this product line. These steps encompassed technical improvements through a systematic scale-up process as well as enhancements in response time for new product and applications development.

As a consequence, this business more than doubled in value and volume during the year and holds robust potential for future growth.

The expanded range of EL Compound products under development now include speciality epoxy and polyurethane formulations and blends that provide strength, flexibility and fire retardant properties to the components. Importantly, environmental concerns are always kept in mind while developing such products and the Company now offers a range of ROHS compliant products and systems to its customers. The Company is quite optimistic about the emerging opportunities and business prospects in this business segment.

### Current Future & Outlook

The recently announced Budget Proposals for fiscal 2011-12 are encouraging and convey certain stability in thinking amongst policy makers, in terms of the overall direction, India's economy is expected to take in the coming years. It is heartening to note that in 2010-11, the government estimates to achieve a lower fiscal deficit of 5.1% as compared to its original estimate of 5.5%, and is working towards further reducing the same to a level of 4.6% by the end of 2011-12.

Overall, the fiscal performance of the country is estimated to be satisfactory and should show a strong growth in 2010-11. In the coming years, it is believed that India's GDP will continue to witness healthy growth. However, managing growth and inflation will be a key challenge for India in the near term. Global trade, it is expected, will continue its recovery and this will aid in helping Indian exports. Domestic consumption will continue to go up despite rising inflation and points towards a steady demand for goods & services in the immediate future.

Two factors, however, will need to be watched carefully in order to ensure preparedness and to be able to take timely steps to manage risk.

1. Hardening global oil prices trend and its fall-out on:
  - India's trade and fiscal deficit,
  - Overall global and domestic inflation, in turn leading directly or indirectly to sharp rise in costs of raw material inputs and commodities
2. Ability of the government to successfully control and manage overall domestic inflation in order to prevent a backlash in the form of dampening consumer sentiment and demand potential.

Nonetheless, the Board continues to believe that this year is yet another year of opportunity to focus on further growth and consolidation.

### Company Performance

The performance of the Company during the year under report registered a significant improvement over the previous year. Whilst Sales at ₹ 2514 Million during the year ended 31 December 2010 represent an increase of 29% over the previous year. The increase in Sales was mainly on account of higher Sales realizations and better product mix. As stated earlier, downward pressures on product margins brought about due to steep increase in raw material input costs resulted in a decrease in overall contribution margin vis-a-vis 2009. PBT at ₹ 473 Million was 2.6% higher than the previous year. Profit after tax at ₹ 324 Million was higher by 2.5% compared to the previous year.

Net cash flow from operating activities during the year at ₹ 163 Million was lower as compared to ₹ 404 Million during the previous year mainly as a consequence of increased working capital.

## I ELANTAS Beck India Ltd. | Management Discussion & Analysis Report | 09

The Company envisages the implementation of a significant capital expenditure programme during the current year, mainly for fresh capacity creation, modernization and infrastructure creation.

The Company is also keen to act upon growth oriented inorganic strategies in its field of expertise. Its present market leadership, financial strength & discipline and the technological support of ALTANA AG, it is felt, should enable continued value creation.

### **Internal Control Systems**

The Company has instituted a comprehensive system of internal controls to safeguard its assets from unauthorised use as well as to ensure proper authorisation of financial transactions. Detailed Standard Operating Procedures (SOP) have been developed, documented and implemented involving all the significant operating and financial functions within the Company. Based on a system of checks and balances, these procedures provide a reasonably sound basis of assurance with regard to accounting controls, propriety in use of Company's resources, operations monitoring, management information & reporting as well as statutory and regulatory compliances.

The Board of Directors has appointed an external accounting firm to undertake internal audits within the Company. The internal auditors are empowered to examine and report to the independent Audit Committee upon the adequacy of and compliance with the various procedures, plans, policies and statutory requirements applicable to the Company. The internal auditors are also responsible for assessing and reporting on effectiveness of risk management, internal controls and governance process within the Company.

The management duly considers and takes appropriate measures in respect of the recommendations made by the statutory auditors, internal auditors and the independent Audit Committee of the Board of Directors.

### **Technical Management and Infrastructure Development**

The Company strongly believes that its market leadership in the electrical insulations industry is a result of various factors and one of them is its long standing reputation, both, in India and overseas, for excellence in product quality coupled with technical services of the highest standards.

Such a reputation has been built over many decades of satisfied customers and continues to be maintained by the Company even today through technological superiority, operational excellence and cost effectiveness.

Cost effective performance improvement in the technology acquired by the Company from Shimo Resins was one of the major success factors that influenced the Company's performance last year. The Company was successful in scale-up, process modification and process improvement of the technology acquired through diligent and intense technical exchanges within the organisation. This resulted in significant improvements in minimum batch sizes, process improvement and manufacturing flexibility.

Further, quite a few projects were implemented during the year under review in order to de-bottleneck manufacturing and attain enhancements in production capacity on a marginal-cost basis. Some of these projects include:

- Resin Plant extension and re-engineering of infrastructure for optimized efficiency in the manufacture of thinners & varnishes
- Modification and re-allocation of manufacturing infrastructure for higher efficiency & higher productivity
- Low-cost capacity enhancements by installation of new / modified equipments in the production lines of EP Resins, PU Resins, Alkyd Resins and Varnishes

Besides the aforesaid, the Company undertakes, on an ongoing basis, technical improvements in Plant engineering and manufacturing processes by benchmarking with its overseas affiliates. A Technical Steering Committee and Operations Steering Committee respectively, established under the stewardship of ALTANA / ELANTAS, Germany, devote their efforts exclusively to ensure optimization of the production methods & processes in terms of cost energy conservation and safety. The Company regularly participates in the deliberations by these Committees.

The Company thus continuously strives to reduce running costs, lower energy consumption, enhance plant effectiveness, improve EH & S Standards and raise product performance.

### **Quality, Environment Management and Occupational Health & Safety.**

The Company's core values on Quality, Safety & Occupational Health and Environment Stewardship permeate all its actions and continue to guide all its decisions and plans.

The Company already held accreditations for its Quality Management System (ISO 9001:2008), Environment Management System (ISO 14001:2004) and Occupational Health & Safety Management System (OHSAS 18001:2007). During the year, the Company took up the objective of implementing an Integrated Management System (IMS) in order to bring in an integrated approach towards managing these three systems comprehensively and efficiently. This task was taken up earnestly and an

integrated management system was successfully set up, involving the complete integration of all the system documentation across the organisation. The IMS was audited by TÜV NORD and an IMS certification was awarded to the Company in September 2010.

The Company is fully committed to strengthen the process of Environment, Health and Safety Management. It endeavors to take reasonable and practicable steps in order to protect the health and safety of its employees and the community, as well as to ensure that its products and processes do not have an adverse impact on environment. It believes that sustainable development is possible only through conscious steps being taken to reduce energy consumption, adopt eco-friendly processes and obviate wasteful use of scarce natural resources.

#### **Research & Development**

Investments in the process of innovation and R&D continued as before, during the year. The Company's commitment to R&D was further strengthened by the recruitment of qualified researchers.

The R&D team is actively engaged in supporting the Company's technologies through manifold activities to maintain a technological edge, provide effective solutions to customers and improve internal productivity through process improvements.

The process of innovation is vital to the Company's operations. R&D is that vital element in the business of Specialty Chemicals which creates value through continuous development, as well as improvement of new products & solutions that meet customer requirements. This is achieved by adopting a problem solving approach and by taking up joint projects with customers, external business partners and research institutions. The Company's active contribution to ALTANA's Global R&D initiatives also enable it to have access to recent technological developments in the processing, application and end-use of speciality insulation products.

#### **Human Resources/ Industrial Relations**

The Company believes that the key to its success lies in creating and nourishing a pool of talent within its people whose skills, expertise and experience provide the essential impetus towards market leadership. Also, the dedication, commitment and aspirations of its employees provide the fuel for excellence in performance. The Company's Human Resources Management Team continuously endeavors to understand some of the useful HR management practices being followed locally as well as to adapt HR management practices followed overseas by ALTANA AG., for implementation within the Company.

During the year, the Company successfully concluded the execution of a long term wage settlement with its workmen leading to continued harmonious and positive Industrial relations at both the locations of the Company in the near future.

#### **Cautionary Statement**

Statements in the Management Discussion and Analysis Report describing the Company's objectives, projections, estimates, expectations may be interpreted as "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ from those expressed or implied. Important factors that could make a difference to Company's operations include economic conditions affecting demand / supply, price conditions in the domestic and overseas markets in which the Company operates, changes in Government regulations, tax laws and other statutes.

For and on behalf of the Board

Pune  
15 February 2011

Suresh Talwar  
Director

Rajeev Bhide  
Managing Director

## Report on Corporate Governance

### ELANTAS Beck India Limited

#### 1. ELANTAS Beck's Philosophy on Corporate Governance:

The Company's Corporate Governance Framework is directed towards achieving transparency, full disclosure and utmost accountability in order to achieve its objective of enhancing stakeholders' values by integrating robust corporate practices with regulatory compliances. Continuous improvement of its compliance structure and systems is therefore a constant endeavour.

Within this governance framework, the Company endeavours to adopt pioneering methods of leveraging resources and converting opportunities into achievements through systematic empowerment and motivation, ultimately for the long term benefits of all its stakeholders.

#### 2. Board of Directors

##### (a) Composition and functioning:

The Board comprises six Directors. Dr. Matthias Wolfgruber is the Non-Executive Chairman and Mr. Rajeev Bhide is the Managing Director. Dr. Wolfgang Schütt is Non-Executive Overseas Director. Mr. Ravindra Kulkarni, Mr. Pradeep Mallick and Mr. Suresh Talwar are Non-Executive Independent Directors. Mr. Prashant Deshpande and Mr. Sharadkumar Shetye, while being Executive Directors in the wholtime employment of the Company, are also Alternate Directors to Dr. Matthias Wolfgruber and Dr. Wolfgang Schütt respectively.

The Managing Director and the Executive Directors are involved in the day-to-day management of the Company, while the Non-Executive Directors bring in the vital external perspective and independence in decision making.

The composition of the Board and number of other Companies / Committees on which the Director of the Company is a Director/Member/Chairman:

Name of Director	Other Directorships	Other Committee Memberships (including Chairmanships) #	Other Committee Chairmanships #
Dr. Matthias Wolfgruber *	-	-	-
Dr. Wolfgang Schütt *	-	-	-
Mr. Ravindra Kulkarni **	8	3	-
Mr. Pradeep Mallick **	11	8	2
Mr. Suresh Talwar **	47	11	4
Mr. Rajeev Bhide ***	-	-	-
Mr. Prashant Deshpande *** (Alternate to Dr. Matthias Wolfgruber)	-	-	-
Mr. Sharadkumar Shetye *** (Alternate to Dr. Wolfgang Schütt)	-	-	-

\* Non-Executive Director \*\* Non-Executive Director –Independent \*\*\* Executive Director

# Memberships of Audit Committee and Shareholders cum Investors' Grievance Committee of all Public Limited Companies have been considered.

##### (b) Meetings and Attendance:

(i) During the financial year ended 31 December 2010, five Board meetings were held on 16 February, 20 April, 19 July, 4 August and 19 October.

(ii) The Directors attended the meetings as follows:

Name of Director	Meetings held during the tenure of Director	Meetings attended	Last AGM
Dr. Matthias Wolfgruber	5	1	No
Dr. Wolfgang Schütt	5	1	No
Mr. Suresh Talwar	5	4	No
Mr. Pradeep Mallick	5	4	No
Mr. Ravindra Kulkarni	5	4	Yes
Mr. Rajeev Bhide	5	4	Yes
Mr. Prashant Deshpande	5	4 *	Yes
Mr. Sharadkumar Shetye	5	4 *	Yes

\* Attended by invitation on 16.02.2010

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(c) Information placed before the Board:

The following information *inter-alia* is generally furnished to the Board on a periodic basis for review:

- annual operating business plans, Capital & Revenue budgets and updates thereto
- business performance and financial results on a quarterly basis
- business environment and relevant industry analysis
- investment of operating surpluses in mutual funds & bank deposits and the performance of such investments
- quarterly results of the Company including its segment-wise break-up
- appointment of statutory, internal and cost auditors
- observations of the internal auditor and issues related to internal controls and business process improvement
- minutes of the Audit Committee Meetings and of other committees
- position of accounts receivable, inventories and other significant items of working capital
- any materially significant default in discharge of financial obligations by and towards the Company
- status of pending litigations by and against the Company and position of contingent liabilities
- materially important show cause, demand and penalty notices
- significant developments in the area of human resources management and industrial relations
- details of the insurance programme implemented by the Company
- related party transactions for approval
- issue / revocation of Power of Attorney
- significant capital expenditure projects
- business risks with focus on specific risks faced by the Company as laid down in its Risk Management Manual and also risks in general
- information on other relevant matters requiring the approval of the Board

The Board is presented with the above information as and when it becomes materially significant for an effective review. These are either furnished as a part of the agenda papers sent in advance of the Board Meetings, or are tabled / presented for discussion in the course of the proceedings of the Board Meetings or meetings of the relevant Committees.

(d) Remuneration Policy:

Within the overall limits fixed by the shareholders in a General Meeting, the Board decides the remuneration of Executive Directors. Remuneration comprises basic salary, perquisites and performance based incentive, which is decided annually by the Board taking into consideration the Company's performance against financial targets and non-financial objectives as well as the performance of the individual concerned against individual objectives agreed during the course of the year.

The remuneration levels are governed by industry pattern, qualifications and experience of the employee, responsibilities shouldered, individual performance and Company performance. The objectives of the remuneration policy are to motivate employees to excel, recognize and reward merit, and retain talent within the organization.

Details of remuneration of Executive Directors for the year ended 31 December 2010:

(₹, 000)

Name and Designation	Salary	Perquisites	Performance Salary	Retirement benefits	Total	Term of Appointment
Mr. Rajeev Bhide (Managing Director)	1,885	1,533	2,070	500	5,988	3 Years from 1 August 2008
Mr. Prashant Deshpande (Director-Marketing)	1,718	1,135	1,478	443	4,774	1 Year from 28 May 2010
Mr. Sharadkumar Shetye (Director-Manufacturing)	1,574	1,070	1,467	404	4,515	1 Year from 28 May 2010
Total:	5,177	3,738	5,015	1,347	15,277	

Notes:

- (1) The above excludes accrual for employee benefits as the amount pertaining to the Directors is not separately ascertainable as the accrual/contribution is done for the Company as a whole on the basis of an actuarial valuation.
- (2) The Company does not have a Stock Option Scheme.
- (3) Notice period for severance of agreement with the Executive Directors & Managing Director is six months. However, no severance fees are payable.

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The Board of Directors decides the remuneration of Non-Executive Directors, which comprises sitting fees and commission based on the net profits of the Company. As approved by the members, commission is limited to 1 % of the net profits of the Company.

Details of remuneration of Non-Executive Directors for the year ended 31 December 2010:

Name	Sitting fees (₹)	Commission (₹)
Mr. Suresh Talwar	80,000	300,000
Mr. Ravindra Kulkarni	80,000	300,000
Mr. Pradeep Mallick	80,000	300,000
<b>Total:</b>	<b>240,000</b>	<b>900,000</b>

### 3. Board Committees:

The Board currently has two committees: the Audit Committee and the Share Transfer cum Investors' Grievance Committee. The Board is responsible for constituting, assigning and co-opting the Members of the Committees.

#### (a) Audit Committee:

During the financial year ended 31 December 2010, four Audit Committee meetings were held on 16 February, 20 April, 4 August and 19 October.

The Audit Committee comprises Mr. Ravindra Kulkarni (Chairman), Dr. Wolfgang Schütt, Mr. Suresh Talwar and Mr. Pradeep Mallick. All members of the Audit Committee are Non-Executive Directors.

All the Members of the Audit Committee are financially literate with some having accounting or related financial management expertise.

The Managing Director, General Manager-Finance & Materials, representatives of the Statutory Auditors and Internal Auditors are permanent invitees to the Audit Committee meetings. The Company Secretary is the Secretary of the Committee.

The Audit Committee ensures that the internal controls within the Company and financial reporting processes are robust. It regularly reviews the Financial Statements on a quarterly and yearly basis and periodically meets to review and discuss, *inter-alia*, related matters such as:

- financial reporting system, internal control systems and internal control procedures in the Company,
- reports of both Statutory Auditors and Internal Auditors,
- Internal Audit Programme and procedures and its approval and implementation,
- status report of 'Actions taken' on the findings and recommendations of the Internal Auditors, agreed and accepted by the Management,
- compliance with regulatory guidelines,
- compliance with respect to Clause 49 of the Listing agreement,
- position of overdue/doubtful book debts and action plans for collection,
- other activities included in the scope of the Audit Committee and forming part of the Terms of Reference approved by the Board of Directors,
- details, if any, of cheques bounced and consequent action taken.

The Audit Committee is at liberty to meet the operating management in order to review the operations of the Company. The minutes of the Audit Committee meetings are circulated to the Board, discussed and taken note of.

The Members attended the meetings as follows:

Name of the Member	Meetings held during the tenure of Member	Meetings attended
Mr. Ravindra Kulkarni	4	4
Dr. Wolfgang Schütt	4	1
Mr. Pradeep Mallick	4	3
Mr. Suresh Talwar	4	4

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### (b) Share Transfer cum Investors' Grievance Committee:

(i) Composition: The Share Transfer cum Investors' Grievance Committee (STIGC) comprises Mr. Ravindra Kulkarni (Chairman), Mr. Rajeev Bhide, Mr. Prashant Deshpande and Mr. Sharadkumar Shetye. STIGC deals with all matters relating to shareholders / investors complaints in addition to the approval of transfer / transmission of shares, issue of duplicate certificates and issuance of certificates after split / consolidation / renewals thereof. In the absence of the Chairman, the members present elect one amongst themselves to chair the meeting of the Committee. During the year ended 31 December 2010, twenty meetings of the STIGC were held. As of 31 December 2010, there were no unresolved investor complaints pending and no shares pending transfer.

Mr. Shirish Dabir, Company Secretary & Head-Legal is designated as the Compliance Officer.

### (ii) Complaints:

1	Number of Investor Complaints received during the period 1 January 2010 to 31 December 2010:	2
2	Number of Investor Complaints resolved during the period 1 January 2010 to 31 December 2010:	2
3	Number of Investor Complaints pending at the end of the period 1 January 2010 to 31 December 2010:	0
4	Number of SEBI registered Investor Complaints pending unresolved as at 31 December 2010:	0

### 4. Other Information:

#### (a) Code of Conduct:

The Company has drawn up a Code of Conduct for Executive Directors and Senior Management which has been adopted by the Board and posted on the Company's website as well as the Company's intranet for the ready reference of employees.

#### (b) Risk Management:

The Company reviews its risk management systems and processes from time to time. The findings are discussed from time to time at the meetings of the Audit Committee and the Board of Directors. The Company has put in place a comprehensive Enterprise Risk Management Manual which contains an in-depth evaluation and assessment of the adequacy of its risk management systems in various areas of risks. The Company has categorized its risks into three major categories viz. Financial, Strategic and Operational risks. The Company also periodically reviews the risks like Fire & Explosion, Effluent/Gas leakages, Use of Wrong Materials, Accidents and Liability Suits.

#### (c) General Body Meetings:

##### (i) Location & time of Annual General Meetings:

Financial Year ended	Date	Time	Place
31 December 2007	26 May 2008	4.00 p.m.	'Sunflower II', 30 <sup>th</sup> floor, World Trade Centre, Cuffe Parade, Mumbai.
31 December 2008	1 June 2009	4.00 p.m.	
31 December 2009	6 May 2010	2.30 p.m.	Hall No.4, 'A' Wing, 5 <sup>th</sup> Floor, MCCIA Trade Tower, ICC Complex, Senapati Bapat Road, Pune-411016.

(ii) The following are the Special Resolutions passed at the Annual General Meetings held in the past 3 years:

AGM held on	Special Resolutions
26 May 2008	● Remuneration by way of commission to the Non-wholetime Directors upto Financial Year ending on 31 December 2012, in addition to the sitting fees for each meeting attended by them.
1 June 2009	● Deletion of Articles 49 and 193 of the Articles of Association of the Company.
6 May 2010	● Nil.

(iii) All resolutions moved at the Annual General Meetings were passed by a show of hands by the requisite majority of members attending the meetings.

(iv) In the year 2009, the following two special resolutions on matters requiring Postal Ballot, as recommended under Clause 49 of the Listing Agreement were passed:

- shifting the Registered Office of the Company from Mumbai to Pune & consequential alteration in Clause II of the Memorandum of Association of the Company; and
- delisting its equity shares from Bombay Stock Exchange Ltd.

(d) Postal Ballot

During the year, no special resolutions on matters requiring Postal Ballot, as recommended under Clause 49 of the Listing Agreement have been passed.

(e) Disclosures:

In terms of the requirements of Accounting Standard 18 on Related Party Disclosures issued by the Companies (Accounting Standard) Rules, 2006, transactions with related parties have been adequately disclosed in the notes to accounts forming part of the Balance Sheet as at 31 December 2010. There were no transactions of material nature with the Directors or the management or their subsidiaries or relatives during the year that might have potential conflict with the interests of the Company.

There were no instances of non-compliance by the Company and no penalties, strictures were imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter relating to the capital markets, during the last three years.

There have been no instances of any personnel seeking access to the Audit Committee.

The Company is complying with the mandatory requirements and adoption of the non-mandatory requirements under Clause 49.

(f) Means of Communication:

The quarterly and annual financial results of the Company are announced within the stipulated period from the end of the respective quarter and are published in leading newspapers.

**5. General Shareholders' Information:**

(a) Company Registration details:

The Company is registered in the State of Maharashtra, India, under the jurisdiction of Registrar of Companies, Pune. The Corporate Identity Number (CIN) allotted to the Company by the Ministry of Corporate Affairs (MCA) is L24222PN1956PLC134746.

(b) 55th Annual General Meeting:

Day, Date & Time	Tuesday, 19 April 2011 at 3.00 p.m.
Place	Hall No. 4, 'A' Wing, 5 <sup>th</sup> Floor, MCCIA Trade Tower, ICC Complex, Senapati Bapat Road, Pune – 411016.
Dates of Book Closure	From Wednesday, 13 April 2011 to Tuesday, 19 April 2011 (both days inclusive).
Dividend payment date	On 13 May 2011, if declared in the Annual General Meeting on 19 April 2011, within the stipulated statutory period.

(c) Unclaimed dividends:

i) Pursuant to Sections 205A and 205C of the Act, all unclaimed/unpaid dividend/s remaining unclaimed/unpaid for a period of seven years from the date it becomes due for payment, has to be transferred to the Investors Education and Protection Fund (IEPF) established by the Central Government.

ii) Following table gives information relating to outstanding dividend account and date when it becomes due for transfer to IEPF in the year 2011.

Financial Year	Dividend payment date	Proposed date for transfer to IEPF *
Interim Y 2003	05.04.2004	05.04.2011

\* Indicative date and actual date may vary.

iii) In case of non receipt/ non encashment of dividend warrants pertaining to the above dividend payment date and thereafter, Members are requested to correspond with the Company.

(d) Company's financial year:

January 1st to December 31st

(e) Listing on Stock Exchanges:

The Company's shares are listed on the Bombay Stock Exchange Limited (BSE).

The Company has paid the listing fees for the period 1 April 2010 to 31 March 2011.



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### (f) Stock Performance:

The monthly High/ Low and Closing prices of the equity shares of the Company:

Year 2010	Price of Equity Shares of the Company			Sensex		
	High (₹)	Low (₹)	Close (₹)	High	Low	Close
January	535.00	370.25	408.70	17,790.33	15,982.08	16,357.96
February	446.90	385.15	429.45	16,669.25	15,651.99	16,429.55
March	600.00	429.00	486.50	17,793.01	16,438.45	17,527.77
April	547.85	448.00	519.15	18,047.86	17,276.80	17,558.71
May	617.20	495.00	543.20	17,536.86	15,960.15	16,944.63
June	725.00	535.00	679.15	17,919.62	16,318.39	17,700.90
July	738.00	628.00	698.20	18,237.56	17,395.58	17,868.29
August	735.00	626.45	698.50	18,475.27	17,819.99	17,971.12
September	804.00	685.25	747.00	20,267.98	18,027.12	20,069.12
October	804.00	655.55	765.40	20,854.55	19,768.96	20,032.34
November	891.25	747.25	807.65	21,108.64	18,954.82	19,521.25
December	924.00	760.00	853.45	20,552.03	19,074.57	20,509.09

Stock Code: BSE – 500123. ISIN Number for NSDL & CDSL - INE 280B01018

### (g) Share Transfer System:

The share transfers received in physical form are processed by the Registrar and Transfer Agent and approved by the Share Transfer cum Investors' Grievance Committee of the Company which usually meets twice in a month or more depending upon the volume of transfers. The share certificates are returned to the member/s within the stipulated period, subject to the documents being valid and complete in all respects. A summary of transfer/ transmission of shares of the Company so approved is placed at every Board Meeting.

### (h) Registrars and Share Transfer Agents:

Sharepro Services (India) Pvt. Ltd., Mumbai, are the Share Transfer Agents (STA) of the Company. The STA also handles transactions of shares in electronic form as depository interface for the Company.

### (i) Dematerialisation:

As of 31 December 2010, 7742772 shares i.e. 97.67 % of the Company's total issued, subscribed and paid-up capital were held in dematerialised form.

### (j) Distribution of Shareholding as of 31 December 2010:

Shareholding	No. of shareholders	No. of shares	% to total
Less than 500	3897	396122	5.0
501 to 1000	61	46084	0.6
1001 to 2000	40	60395	0.7
2001 to 3000	9	21451	0.3
3001 to 4000	3	10866	0.1
4001 to 5000	2	9052	0.1
5001 to 10000	9	69043	0.9
10001 and above	9	7314669	92.3
Total:	4030	7927682	100.0

### (k) Shareholders' Profile as on 31 December 2010:

Class of Shareholder	No. of shares	% to total
Promoters' Group	7020316	88.55
Mutual Funds and UTI	1600	0.02
Banks, Financial Institutions, Insurance Companies (including Foreign institutional investors: 125815)	125865	1.59
Private corporate bodies	153307	1.93
Individuals (including NRIs: 10562 shares)	626594	7.91
Total:	7927682	100.00

(l) Plant Locations, Registered Office and address for correspondence:

(i) Plant Locations: The Company's plants are located at two places as indicated below:

- 147, Mumbai-Pune Road, Pimpri, Pune - 411018, Maharashtra. [Tel: (020) 30610777]
- Plot No.1 (A, B & C) & 122, GIDC Industrial Area, Ankleshwar - 393 002  
Dist: Bharuch, Gujarat. [Tel: (02646) 304736]

(ii) Registered Office:

- 'Beck House', Damle Path, Off Law College Road, Pune - 411004.  
Tel: (020) 30210600/700

(iii) Address for correspondence:

In respect of transactions relating to shares:

Sharepro Services (India) Pvt. Ltd.  
Sam Hita Warehousing Complex,  
Warehouse No 52 & 53, Plot No 13AB,  
2nd Floor, Sakinaka, Andheri (East), Mumbai - 400072.  
Tel: (022) 67720300 / 347  
Fax: (022) 28591568

In respect of any other matter:

ELANTAS Beck India Ltd.  
'Beck House', Damle Path,  
Off Law College Road, Pune - 411004.  
Tel: (020) 30210600/700

For and on behalf of the Board

Pune  
15 February 2011

Suresh Talwar  
Director

Rajeev Bhide  
Managing Director

Certificate of compliance with corporate governance requirements under Clause 49 of the Listing Agreement

To the Members of  
ELANTAS Beck India Limited

We have examined the compliance of conditions of corporate governance by ELANTAS Beck India Limited ("the Company") for the year ended 31 December 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 compliance of the conditions of the 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 information and explanations given to us, we certify that the Company has complied in all material respects with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

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

For BSR & Co.  
Firm Registration No. 101248W  
Chartered Accountants

Pune  
15 February 2011

Juzer Miyajiwala  
Partner  
Membership No.: 047483

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Certification by Chief Executive Officer (CEO) and Chief Financial Officer (CFO) pursuant to Clause 49 of the Listing Agreement.

We, Rajeev Bhide, Managing Director and Sanjay Kulkarni, General Manager- Finance & Materials, in our capacity as Chief Executive Officer (CEO) and Chief Financial Officer (CFO) respectively of the Company hereby certify that:

1. We have reviewed financial statements and the cash flow statement for the year ended 31 December 2010 and that to the best of our knowledge and belief:
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
4. We have indicated to the Auditors and the Audit committee:
  - (i) significant changes in internal control over financial reporting during the year;
  - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

For ELANTAS Beck India Ltd.

Pune  
15 February 2011

Rajeev Bhide  
Managing Director / CEO

Sanjay Kulkarni  
General Manager- Finance  
& Materials / CFO

Declaration by the Managing Director under Clause 49 of the Listing Agreement regarding compliance with Code of Conduct.

In accordance with Clause 491 (D) (ii) of the Listing Agreement with the Stock Exchange, I hereby confirm that, all the Directors and the Senior Management personnel of the Company have affirmed compliance with the Code of Conduct, as applicable to them, for the Financial Year ended 31 December 2010.

For ELANTAS Beck India Ltd.

Pune  
15 February 2011

Rajeev Bhide  
Managing Director

## Auditors' Report

To the Members of  
ELANTAS Beck India Limited

We have audited the attached Balance Sheet of ELANTAS Beck India Limited ('the Company') as at 31 December 2010, the related Profit and Loss account and the Cash Flow statement of the Company 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.

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.

1. As required by the Companies (Auditor's 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 to the extent applicable to the Company.

2. 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 the audit;
- b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c) the Balance Sheet, Profit and Loss account and Cash Flow statement dealt with by this report are in agreement with the books of account;
- d) in our opinion, the Balance Sheet, the Profit and Loss account and the Cash Flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- e) on the basis of written representations received from the directors of the Company, as on 31 December 2010 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31 December 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956; and
- f) in our opinion, and to the best of our information and according to the explanations given to us, the said financial statements 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 31 December 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.

**For B S R & Co.**

Firm Registration No. 101248W

Chartered Accountants

Juzer Miyajiwala

Partner

Membership No.: 047483

Pune

15 February 2011

### Annexure to the Auditors' Report - 31 December 2010

With reference to the Annexure referred to in paragraph 1 of the Auditors' Report to the Members of the Company on the financial statements for the year ended 31 December 2010, we report that:

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of two years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.

Annexure to Auditors' Report – 31 December 2010 (Continued)

2. (a) The inventory, except goods-in-transit and stocks lying with third parties, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. For stocks lying with third parties at the year-end, written confirmations have been obtained.
- (b) The procedures for physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
3. The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of inventories are for the Company's specialised requirements and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. We have not observed any major weakness in the internal control system during the course of the audit.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
- (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of Rs 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. The Company has not accepted any deposits from the public.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of resins (excluding natural resins) and varnishes and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
9. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Wealth Tax, Sales-tax, Service tax, Custom duty, Excise duty, Cess, Investor Education and Protection Fund and other material statutory dues have been regularly deposited by the Company with the appropriate authorities.  

There were no dues on account of Cess under Section 441A of the Companies Act, 1956 since the aforesaid Section has not yet been made effective by the Central Government. According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Sales tax, Wealth Tax, Service tax, Custom duty, Excise duty, Cess, Investor Education and Protection Fund and other material statutory dues were in arrears as at 31 December 2010 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 Income-tax, Sales tax, Wealth tax, Service tax, Custom duty, Excise duty and Cess, other than the dues listed in Appendix I, which have not been deposited by the Company on account of disputes.
10. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
11. The Company did not have any outstanding dues to any financial institution, banks or debenture holders during the year.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/society.
14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

Annexure to Auditors' Report – 31 December 2009 (Continued)

15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. The Company did not have any term loans outstanding during the year.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
18. The Company has not made any preferential allotment of shares to companies, firms or parties covered in the register maintained under Section 301 of the Companies Act 1956.
19. The Company did not have any outstanding debentures during the year.
20. The Company has not raised any money by public issues.
21. According to the information and explanations given to us, no fraud on or by the Company, has been noticed or reported during the course of our audit.

Pune  
15 February 2011

**For B S R & Co.**  
Firm Registration No. 101248W  
Chartered Accountants  
**Juzer Miyajiwala**  
Partner  
Membership No.: 047483

Appendix I to the Auditors' Report

Sr. no.	Name of the Statute	Nature of the Dues	Amount (₹, 000)	Period to which the amount relates	Forum where dispute is pending
1	Central Excise Act, 1944	Demand of duty on copper scrap	93	2004	Asst. Commissioner, Ankleshwar
			555	1990-1994	Central Excise and Service Tax Appellate Tribunal, Pune
		Denial of Modvat Credit on certified copy of Bill of entry (PTBP)	93	1997	Asst. Commissioner, Ankleshwar
		Education cess on exports	21	2004	Dy. Commissioner, Pune
		Modvat on repacking activity	4,956	1994-1997	Dy. Commissioner, Pune
		Valuation under CAS - 4	277	2007	Central Excise and Service Tax Appellate Tribunal, Pune
2	Sales Tax	Rate of sales tax on Wire Enamels and Varnishes	7,811	2002-2004	Sales Tax Officer, Delhi
		Non submission of forms at the time of assessment	2,782	1995-1997, 1998-1999	Commissioner of Sales Tax, Delhi
			*18,706	2002-2004	Sales Tax Officer, Delhi
3	Finance Act, 1994	CENVAT credit claimed on the basis of letters	7,505	2005-2008	Central Excise and Service Tax Appellate Tribunal, Mumbai
		Service tax credit on outward freight	4,221	2005-2008	Central Excise and Service Tax Appellate Tribunal, Mumbai

\* Forms have been submitted along with the appeal

## Balance Sheet as at 31 December 2010

(Currency : ₹, 000)

	Notes	2010	2009
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' funds</b>			
Share capital	2	79,277	79,277
Reserves and surplus	3	1,567,850	1,285,374
		<u>1,647,127</u>	<u>1,364,651</u>
<b>Deferred tax liability (net)</b>	4	14,129	15,091
		<u>1,661,256</u>	<u>1,379,742</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Gross block	5	618,652	573,425
Less : Accumulated depreciation / amortisation		297,333	252,193
Net block		<u>321,319</u>	<u>321,232</u>
Capital work-in-progress (including capital advances)		36,305	3,386
		<u>357,624</u>	<u>324,618</u>
<b>Investments</b>	6	594,470	546,147
<b>Current assets, loans and advances</b>			
Inventories	7	483,440	321,120
Sundry debtors	8	348,413	269,727
Cash and bank balances	9	153,684	134,687
Loans and advances	10	71,594	48,755
		<u>1,057,131</u>	<u>774,289</u>
<b>Less : Current liabilities and provisions</b>			
Current liabilities	11	267,246	175,845
Provisions	12	80,723	89,467
		<u>347,969</u>	<u>265,312</u>
<b>Net current assets</b>		<u>709,162</u>	<u>508,977</u>
		<u>1,661,256</u>	<u>1,379,742</u>
Significant accounting policies	1		
Notes to the accounts	15-35		

The accompanying notes form an integral part of the Balance Sheet.  
As per our report of even date attached.

**For B S R & Co.**

Chartered Accountants

Firm Registration No. : 101248W

For and on behalf of the Board of Directors

**Juzer Miyajiwala**

Partner

Membership No.: 047483

Pune, 15 February 2011

**Shirish Dabir**

Company

Secretary

**Suresh Talwar**

Director

**Ravindra Kulkarni**

Director

**Pradeep Mallick**

Director

**Dr Matthias Wolfgruber**

Chairman

**Dr. Wolfgang Schütt**

Director

**Rajeev Bhide**

Managing Director

## Profit and Loss Account for the year ended 31 December 2010

(Currency : ₹, 000)

	Notes	2010	2009
<b>Income</b>			
Sales (gross)		2,752,514	2,106,030
Less : Excise duty (including education cess)		238,990	157,026
Sales (net)		2,513,524	1,949,004
Other income	13	63,068	68,951
		<b>2,576,592</b>	<b>2,017,955</b>
<b>Expenditure</b>			
Manufacturing and other expenses	14	2,055,315	1,519,901
Depreciation / Amortisation	5	47,621	36,829
Interest costs		327	307
		<b>2,103,263</b>	<b>1,557,037</b>
<b>Profit before tax</b>		<b>473,329</b>	<b>460,918</b>
Less : Provision for tax			
- current tax (net)	15	150,552	142,418
- deferred tax (release) / charge		(961)	1,852
- fringe benefit tax (net)		(200)	450
		<b>149,391</b>	<b>144,720</b>
<b>Net profit</b>		<b>323,938</b>	<b>316,198</b>
Balance brought forward		829,169	586,329
<b>Amount available for appropriation</b>		<b>1,153,107</b>	<b>902,527</b>
<b>Appropriations :</b>			
Proposed dividend (Final)		35,675	35,675
Dividend distribution tax (net of previous year's reversal ₹ 138)		5,787	6,063
Transfer to general reserve		32,394	31,620
<b>Balance carried forward</b>		<b>1,079,251</b>	<b>829,169</b>
Basic and diluted earnings per share (₹)	31	<b>40.86</b>	39.89
Significant accounting policies	1		
Notes to the accounts	15-35		

The accompanying notes form an integral part of the Profit and Loss account.  
As per our report of even date attached.

**For B S R & Co.**

Chartered Accountants  
Firm Registration No. : 101248W

For and on behalf of the Board of Directors

**Juzer Miyajiwala**  
Partner  
Membership No.: 047483  
Pune, 15 February 2011

**Shirish Dabir**  
Company  
Secretary

**Suresh Talwar**  
Director

**Ravindra Kulkarni**  
Director

**Pradeep Mallick**  
Director

**Dr Matthias Wolfgruber**  
Chairman

**Dr. Wolfgang Schütt**  
Director

**Rajeev Bhide**  
Managing Director



## Cash Flow Statement for the year ended 31 December 2010

(Currency : ₹, 000)

Particulars	2010	2009
<b>A. Cash flow from operating activities :</b>		
Profits before tax	473,329	460,918
Adjustments for:		
Depreciation / Amortisation	47,621	36,829
Interest expenses	327	307
Loss / (profit) on assets sold / scrapped (net)	169	22
Unrealised loss / (gain) on current investments (net)	(311)	370
Loss / (profit) on sale of investments	(4,291)	(4,811)
Interest income	(7,363)	(10,342)
Dividend income	(14,280)	(15,452)
	<u>21,872</u>	<u>6,923</u>
Operating profits before working capital changes	495,201	467,841
(Increase) / Decrease in working capital		
Trade receivables	(78,686)	(27,455)
Inventories	(162,320)	47,639
Loans and advances (other than advance tax)	(15,601)	10,153
Current liabilities (other than unclaimed dividends)	91,015	41,671
Provisions (other than taxation and dividends)	(5,853)	3,337
Net changes in working capital	<u>(171,445)</u>	<u>75,345</u>
Cash generated from operations	323,756	543,186
Taxes paid	(160,343)	(138,839)
Net cash flow from / (used in) operating activities	<u>163,413</u>	<u>404,347</u>
<b>B. Cash flow from investing activities :</b>		
Purchase of fixed assets	(81,235)	(79,539)
Sale of fixed assets	439	91
Purchase of investments	(704,217)	(834,448)
Sale of investments	660,496	552,686
Long term fixed deposits placed	(231,935)	(221,038)
Long term fixed deposits matured	206,024	164,012
Interest received	7,363	10,342
Dividend received	14,280	15,452
Net cash generated from / (used in) investing activities	<u>(128,785)</u>	<u>(392,442)</u>
<b>C. Cash flow from financing activities :</b>		
Interest paid	(327)	(307)
Dividend paid (including tax on dividend)	(41,215)	(37,046)
Net cash generated from / (used in) financing activities	<u>(41,542)</u>	<u>(37,353)</u>
<b>D. Net increase / (decrease) in cash and cash equivalents</b>	<b>(6,914)</b>	<b>(25,448)</b>
Cash and cash equivalents		
At the beginning of the year	44,073	69,521
At the end of the year	37,159	44,073

Fixed deposits with banks having original maturity of more than three months aggregating to ₹ 116,525 (Previous year ₹ 90,614) are not readily liquid and have been excluded from Cash and cash equivalents. (Refer note 9 & note 34)

The Company has undrawn working capital facilities of ₹ 80,000 ( Previous year : ₹ 82,500)

The accompanying notes form an integral part of the Cash Flow statement.

As per our report of even date attached.

**For B S R & Co.**

Chartered Accountants

Firm Registration No. : 101248W

**Juzer Miyajiwala**

Partner

Membership No.: 047483

Pune, 15 February 2011

**Shirish Dabir**

Company

Secretary

For and on behalf of the Board of Directors

**Suresh Talwar**

Director

**Ravindra Kulkarni**

Director

**Pradeep Mallick**

Director

**Dr Matthias Wolfgruber**

Chairman

**Dr. Wolfgang Schütt**

Director

**Rajeev Bhide**

Managing Director

## Notes to the financial statements for the year ended 31 December 2010

### 1. Significant accounting policies

#### 1.1 Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the Accounting Standards (AS) issued by the Companies (Accounting Standard) Rules, 2006 and the relevant provisions of the Companies Act, 1956, to the extent applicable. The financial statements are presented in Indian rupees rounded off to the nearest thousand.

#### 1.2 Accounting estimates

The preparation of financial statements in conformity with the generally accepted accounting principles in India (Indian GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is prospectively recognised in current and future periods.

#### 1.3 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The cost of fixed assets includes non refundable taxes and duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Depreciation on fixed assets is provided on the straight line method, in the manner and as per the rates specified in Schedule XIV to the Companies Act, 1956 except for assets costing ₹ 5,000 or less, which are depreciated fully in the year of purchase. Leasehold land is amortised over the remaining period of the lease.

Assets retired from active use and held for disposal are stated at the lower of cost or net realizable value less costs of disposal.

Advances paid towards acquisition of fixed assets outstanding at each Balance Sheet date and the cost of fixed assets not ready for their intended use at the Balance Sheet date are disclosed under capital work-in-progress.

#### 1.4 Intangible assets and amortization

Intangible assets are recognized when the asset is identifiable, is within the control of the Company, it is probable that the future economic benefits that are attributable to the asset will flow to the Company and cost of the asset can be reliably measured. Intangible assets are recorded at their acquisition price and are amortised over their estimated useful lives on a straight line basis, commencing from the date the assets are available for use. The useful life of the intangible assets is reviewed by the management at each Balance Sheet date. Computer software is amortised over a period of 3 years and other intangibles over a period of 5 years.

#### 1.5 Impairment of assets

In accordance with AS 28-Impairment of Assets, the carrying amounts of the Company's assets including intangible assets are reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated, as the higher of the net selling price and the value in use. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. If at the Balance Sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is assessed at the recoverable amount subject to a maximum of depreciable historical cost.

## Notes to the financial statements for the year ended 31 December 2010 (Continued)

### 1.6 Investments

Investments that are readily realizable and intended to be held for not more than twelve months are classified as current investments. All other investments are classified as long term investments.

Long term investments are stated at cost less any other- than- temporary diminution in value, determined separately for each individual investment. Current investments are carried at lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments.

### 1.7 Inventories

Inventories are stated at lower of cost and net realizable value.

The cost is determined on the basis of Weighted Average method and includes expenditure in acquiring the inventories and bringing them to their existing location and condition. Materials-in-transit are stated at purchase cost.

In the case of manufactured inventories, cost includes an appropriate share of production overheads. Finished goods inventory includes excise duty payable.

Net realizable value is the estimated net sales realization in the ordinary course of business. The comparison of cost and net realizable value is made on an item-by-item basis.

The net realizable value of work-in-progress is determined with reference to the net sales realization of related finished goods.

Raw materials and other supplies held for use in production of finished goods are not written down below cost, except in cases where the material prices have declined and it is estimated that the cost of the finished goods will exceed their net realizable value. In such cases, the materials are valued at the lower of replacement cost or ultimate net realizable value.

### 1.8 Revenue recognition

Revenue from sale of goods is recognised on transfer of all significant risks and rewards of ownership to the buyer which is at the point of shipment or dispatch of goods. Sales are accounted net of amounts recovered towards sales tax and trade discounts.

Export incentives receivable are accrued for when the right to receive the credit is established and there is no significant uncertainty regarding the ultimate collection of export proceeds.

Interest income is recognised on a time proportion basis. Dividend income from investments is recognised when an unconditional right to receive payment is established.

### 1.9 Employee benefits

#### (a) Short term employee benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits and are recognised in the period in which the employee renders the related service.

Notes to the financial statements for the year ended 31 December 2010 (Continued)

(b) Post-employment benefits

- (i) Defined contribution plans: The Company's superannuation scheme and state governed provident fund scheme are defined contribution plans. The contribution paid/payable under the schemes is recognized during the period in which the employee renders the related service.
- (ii) Defined Benefit Plans: The employees' gratuity fund scheme and cash rewards at the time of retirement are the Company's defined benefit plans. The present value of the obligation under each defined benefit plan is determined based on actuarial valuation at each Balance Sheet date using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rate used for determining the present value of the obligation under defined benefit plans are based on the market yields on Government securities as at the Balance Sheet date, having maturity periods approximating to the terms of related obligations.

Gains or losses on the curtailment or settlement of any defined benefit plan are recognised when the curtailment or settlement occurs. Past service cost is recognised as expense on a straight-line basis over the average period until the benefits become vested. To the extent the benefits vests immediately, the expense is recognized immediately in Profit and Loss account. Actuarial gains and losses are recognised immediately in the Profit and Loss account.

(c) Long term employee benefits

The obligation for long term employee benefits such as long term compensated absences, long service awards etc. is recognised in the same manner as in the case of defined benefit plans as mentioned in (b) (ii) above.

When the benefits of a plan are improved, the portion of increased benefit relating to past service by employees is recognized immediately in Profit and Loss account.

**1.10 Foreign exchange transactions**

Foreign currency transactions are recorded at the rate of exchange prevailing on the date of the transaction. Monetary foreign currency assets and liabilities remaining unsettled at the balance sheet date are translated at the rates of exchange prevailing on that date. Gains / losses arising on account of such translation and subsequent realization / settlement of foreign exchange transactions are recognized in the Profit and Loss account.

**1.11 Taxes on Income**

Income tax expense comprises fringe benefit tax, current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period).

The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax assets are recognised only to the extent that there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward losses under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and written down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

## Notes to the financial statements for the year ended 31 December 2010 (Continued)

**1.12 Earnings per Share ('EPS')**

The basic EPS is computed by dividing the net profit attributable to the equity shareholders for the year by the weighted average number of equity shares outstanding during the year.

Diluted EPS is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year except where the results would be anti dilutive.

**1.13 Provisions and Contingencies**

A provision is recognised when there is a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate.

A disclosure for a contingent liability is made when there is a possible or present obligation that may, but probably will not require an outflow of resources. When there is a possible obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

**1.14 Leases**

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating lease are recognised as an expense in the Profit and Loss account on a straight – line basis over the lease term. Lease income under operating lease is recognised in the Profit and Loss account on a straight – line basis over the lease term.

	(Currency : ₹, 000)	
	2010	2009
<b>2. Share capital</b>		
<b>Authorised :</b>		
15,000,000 (previous year 15,000,000) equity shares of ₹ 10 each	<u>150,000</u>	<u>150,000</u>
<b>Issued, subscribed and fully paid-up :</b>		
7,927,682 (previous year: 7,927,682) equity shares of ₹10 each	<u>79,277</u>	<u>79,277</u>
Of the above :		
(a) 78,529 (previous year: 78,529) equity shares of ₹ 10 each are allotted as fully paid-up pursuant to a contract without payment being received in cash;		
(b) 840,000 (previous year: 840,000) equity shares of ₹ 10 each have been issued pursuant to the Scheme of Amalgamation with erstwhile Schenectady India Ltd. without payment being received in cash;		
(c) 5,628,010 (previous year: 5,628,010) equity shares of ₹ 10 each are allotted as fully paid-up by way of bonus shares by capitalisation of reserves;		
(d) 7,020,316 (previous year :7,020,316) equity shares of ₹ 10 each are held by the holding company ELANTAS GmbH, a wholly owned subsidiary of ALTANA Chemie GmbH.		
<b>3. Reserves and surplus</b>		
Share premium account	69,518	69,518
Capital reserve (subsidy)	4,000	4,000
General reserve	382,687	351,067
Add : Amount transferred from Profit and Loss account	<u>32,394</u>	<u>31,620</u>
	<u>415,081</u>	<u>382,687</u>
Profit and Loss account	<u>1,079,251</u>	<u>829,169</u>
	<u>1,567,850</u>	<u>1,285,374</u>

Notes to the financial statements for the year ended 31 December 2010 (Continued)

(Currency : ₹, 000)

	2010	2009
<b>4. Deferred tax liability (net)</b>		
Deferred tax liability:		
Difference between book and tax depreciation/ amortisation	26,941	28,770
Gratuity	-	1,302
	<b>26,941</b>	<b>30,072</b>
Deferred tax asset:		
Provision for doubtful debts	1,972	1,901
Provision for compensated absence and other employee benefits	10,840	13,080
	<b>12,812</b>	<b>14,981</b>
	<b>14,129</b>	<b>15,091</b>

**5. Fixed assets**

(Currency : ₹, 000)

Description	Gross block			Depreciation / Amortisation				Net block		
	As at 1.1.2010	Additions	Deductions	As at 31.12.2010	As at 1.1.2010	For the year	On deductions	As at 31.12.2010	As at 31.12.2010	As at 31.12.2009
<b>Tangible assets:</b>										
Freehold land	35,483	-	-	35,483	-	-	-	-	35,483	35,483
Leasehold land	1,127	-	-	1,127	210	15	-	225	902	917
Buildings and roads	93,299	244	-	93,543	24,869	2,090	-	26,959	66,584	68,430
Plant and machinery	308,348	42,972	1,376	349,944	183,892	21,083	1,357	203,618	146,326	124,456
Furniture and fixtures	8,775	153	6	8,922	6,783	454	6	7,231	1,691	1,992
Motor vehicles	16,894	3,566	1,707	18,753	5,553	1,636	1,118	6,071	12,682	11,341
<b>Intangible assets :</b>										
Goodwill	10,536	-	-	10,536	4,584	2,107	-	6,691	3,845	5,952
Technical Know-How	74,371	-	-	74,371	17,813	14,874	-	32,687	41,684	56,558
Trademarks	22,232	-	-	22,232	6,837	4,446	-	11,283	10,949	15,395
Computer Softwares	2,360	1,381	-	3,741	1,652	916	-	2,568	1,173	708
<b>Total</b>	<b>573,425</b>	<b>48,316</b>	<b>3,089</b>	<b>618,652</b>	<b>252,193</b>	<b>47,621</b>	<b>2,481</b>	<b>297,333</b>	<b>321,319</b>	<b>321,232</b>
Previous year	490,545	89,873	6,993	573,425	222,244	36,829	6,880	252,193		
Capital work-in-progress (including capital advances)									36,305	3,386
<b>TOTAL</b>									<b>357,624</b>	<b>324,618</b>

(Currency : ₹, 000)

	2010	2009
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**6. Investments**

**a. Long term investments (at cost, unless otherwise stated)**

**Unquoted investments**

98,576 (previous year : 98,576) equity shares of ₹ 10 each fully paid up in Bharuch Eco Aqua Infrastructure Limited 986 986

**Quoted investments**

33,604 (previous year : 33,604) equity shares of ₹ 10 each fully paid-up in Roplas (India) Limited. 235 235

Less : Provision for diminution in value of investment 235 235

50 (previous year 50) equity shares of State Bank of India of ₹ 10 each fully paid-up at a premium of ₹ 90 per equity share 5 5

## Notes to the financial statements for the year ended 31 December 2010 (Continued)

(Currency : ₹, 000)

	2010	2009
<b>b. Current investments (at lower of, cost and fair market value)</b>		
<u>Investments in mutual funds</u>		
3,291,670.236 units (previous year 3,620,107.113) of Birla Sun Life Savings Fund-Instl-Weekly Dividend-Reinvestment of face value ₹ 10 per unit	32,919	36,219
676,685.886 units (previous year Nil) of Birla Sun Life Floating Rate Fund - Retail - Long Term - Growth of face value ₹ 10 per unit	10,771	-
1,000,000.000 units (previous year Nil) of Birla Sun Life Short Term FMP - Series 3 - Dividend of face value ₹ 10 per unit	10,000	-
3,511,617.867 units (previous year 3,548,765.731) of Birla Sun Life Ultra Short Term Fund -Institutional Growth of face value ₹ 10 per unit	38,073	36,449
Nil units (previous year 993,171.955) of HSBC Floating Rate - Long Term Plan - Institutional Option - Weekly Dividend of face value ₹ 10 per unit	-	11,158
5,247,495.228 units (previous year 4,321,676.372) of HSBC Floating Rate Fund - Long Term Plan - Institutional Option - Growth of face value ₹ 10 per unit	74,850	61,500
2,978,156.929 units (previous year 6,296,025.970) of HDFC Cash Management Fund-Treasury Advantage Plan - Wholesale - Weekly Dividend of face value ₹ 10 per unit	29,863	63,091
2,935,845.921 units (previous year 839,159.065) of HDFC Cash Management Fund - Treasury Advantage Plan - Retail - Growth of face value ₹ 10 per unit	58,521	16,500
3,938,377.219 units (previous year 5,981,025.749) of IDFC Money Manager Fund - Treasury Plan - Super Inst Plan C Weekly Div of face value ₹ 10 per unit	39,581	59,877
617,400.666 units (previous year 617,400.666) of IDFC Money Manager Fund-Treasury Plan A - Growth of face value ₹ 10 per unit	9,000	9,000
689,664.685 units (previous year 689,664.685) of IDFC Money Manager Fund-Treasury Plan - Inst Plan B - Growth of face value ₹ 10 per unit	10,000	10,000
18,222.754 units (previous year Nil) of IDFC Savings Advantage Fund - Plan A - Growth of face value ₹ 1,000 per unit	23,799	-
382,878.159 units (previous year Nil) of IDFC Money Manager Fund-Investment Plan-Growth of face value ₹ 10 per unit	5,403	-
Nil units (previous year 500,000.000) of IDFC FMP 13 months series 1 - Plan B of face value ₹ 10 per unit	-	5,000
745,531.861 units (previous year 778,464.769) of ICICI Prudential Flexible Income Plan Premium - Weekly Dividend of face value ₹ 100 per unit	78,635	82,077
3,053,992.063 units (previous year 7,518,247.051) of Tata Floater Fund - Weekly Dividend of face value ₹ 10 per unit	30,799	75,796
3,840,701.774 units (previous year Nil) of Tata Floater Fund - Growth of face value ₹ 10 per unit	52,840	-
Nil units (previous year 2,860,379.164) of Kotak Bond (Short Term) - Monthly Dividend of face value ₹ 10 per unit	-	28,793
1,000,000.000 units (previous year Nil) of Kotak Credit Opportunities - Growth of face value ₹ 10 per unit	10,000	-

Notes to the financial statements for the year ended 31 December 2010 (Continued)

(Currency : ₹, 000)

	2010	2009
4,992,103.842 units (previous year 1,829,593.275) of Kotak Floater Long Term - Weekly Dividend of face value ₹ 10 per unit	50,322	18,437
1,933,402.060 units (previous year 2,252,942.866) of Kotak Floater Long Term - Growth of face value ₹ 10 per unit	28,103	31,259
	<b>594,470</b>	<b>546,147</b>
Aggregate cost of unquoted investments	986	986
Aggregate carrying cost of quoted investments	593,484	545,161
Aggregate market value of quoted investments	<b>609,132</b>	<b>549,209</b>

Current Investments acquired during the year (including dividend reinvestment):

- 4,302,808.380 units of Birla Sun Life Savings Fund - Instl - Weekly Dividend-Reinvestment amounting to ₹ 43,053.
- 676,685.886 units of Birla Sun Life Floating Rate Fund - Retail - Long Term - Growth amounting to ₹ 10,771.
- 1,000,000.000 units of Birla Sun Life Short Term FMP - Series 3 - Dividend amounting to ₹ 10,000.
- 3,046,929.533 units of Birla Sun Life Ultra Short Term Fund -Institutional Growth amounting to ₹ 33,073.
- 701,594.794 units of HSBC Floating Rate - Long Term Plan - Institutional Option - Weekly Dividend amounting to ₹ 7,885.
- 925,818.856 units of HSBC Floating Rate Fund - Long Term Plan - Institutional Option - Growth amounting to ₹ 13,350.
- 407,670.855 units of HSBC Floating Rate Fund - Long Term - Regular Option - Growth amounting to ₹ 5,848.
- 10,057,968.574 units of HDFC Cash Management Fund -Treasury Advantage Plan - Wholesale - Weekly Dividend amounting to ₹ 100,847.
- 2,096,686.856 units of HDFC Cash Management Fund -Treasury Advantage Plan - Retail - Growth amounting to ₹ 42,021.
- 5,092,889.253 units of IDFC Money Manager Fund - Treasury Plan - Super Inst Plan C Weekly Div amounting to ₹ 51,184.
- 18,222.754 units of IDFC Savings Advantage Fund - Plan A - Growth amounting to ₹ 23,799.
- 382,878.159 units of IDFC Money Manager Fund - Investment Plan - Growth amounting to ₹ 5,403.
- 379,416.893 units of ICICI Prudential Flexible Income Plan Premium - Daily Dividend amounting to ₹ 40,118.
- 1,084,922.623 units of ICICI Prudential Flexible Income Plan Premium - Weekly Dividend amounting to ₹ 114,430.
- 5,332,822.392 units of Tata Floater Fund - Weekly Dividend amounting to ₹ 53,777.
- 3,840,701.774 units of Tata Floater Fund - Growth amounting to ₹ 52,840.
- 38,798.480 units of Kotak Bond (Short Term) - Monthly Dividend amounting to ₹ 390.
- 1,000,000.000 units of Kotak Credit Opportunities - Growth amounting to ₹ 10,000.
- 6,778,818.762 units of Kotak Floater Long Term - Weekly Dividend amounting to ₹ 68,328.
- 1,168,493.708 units of Kotak Floater Long Term - Growth amounting to ₹ 17,103.

Current Investments sold during the year:

- 4,631,245.257 units of Birla Sun Life Savings Fund - Instl - Weekly Dividend-Reinvestment amounting to ₹ 46,362.
- 3,084,077.397 units of Birla Sun Life Ultra Short Term Fund -Institutional Growth amounting to ₹ 31,449.
- 1,694,766.749 units of HSBC Floating Rate - Long Term Plan - Institutional Option - Weekly Dividend amounting to ₹ 19,043.
- 407,670.855 units of HSBC Floating Rate Fund - Long Term - Regular Option - Growth amounting to ₹ 5,848.
- 13,375,837.615 units of HDFC Cash Management Fund -Treasury Advantage Plan - Wholesale - Weekly Dividend amounting to ₹ 134,074.
- 7,135,537.783 units of IDFC Money Manager Fund - Treasury Plan - Super Inst Plan C Weekly Div amounting to ₹ 71,434.
- 500,000.000 units of IDFC FMP 13 months series 1 - Plan B amounting to ₹ 5,000.
- 379,416.893 units of ICICI Prudential Flexible Income Plan Premium - Daily Dividend amounting to ₹ 40,118.



## Notes to the financial statements for the year ended 31 December 2010 (Continued)

- 1,117,855.531 units of ICICI Prudential Flexible Income Plan Premium - Weekly Dividend amounting to ₹ 117,891.
- 9,797,077.380 units of Tata Floater Fund - Weekly Dividend amounting to ₹ 98,773.
- 2,899,177.644 units of Kotak Bond (Short Term) - Monthly Dividend amounting to ₹ 29,511.
- 3,616,308.195 units of Kotak Floater Long Term - Weekly Dividend amounting to ₹ 36,443.
- 1,488,034.514 units of Kotak Floater Long Term - Growth amounting to ₹ 20,259.

(Currency : ₹, 000)

	2010	2009
<b>7. Inventories</b>		
Raw materials	227,619	126,370
Intermediates and work-in-progress	42,134	38,824
Packing materials	8,260	7,419
Stores	7,710	4,319
Purchased goods for resale	5,888	7,039
Finished goods	130,360	111,248
Goods in transit	61,469	25,901
	<u>483,440</u>	<u>321,120</u>
<b>8. Sundry debtors</b>		
(unsecured)		
Over six months :		
Considered good	1,988	2,742
Considered doubtful	5,931	5,520
	<u>7,919</u>	<u>8,262</u>
Other debts :		
Considered good	346,425	266,985
Considered doubtful	5	74
	<u>346,430</u>	<u>267,059</u>
	<u>354,349</u>	<u>275,321</u>
Less : Provision for doubtful debts	5,936	5,594
	<u>348,413</u>	<u>269,727</u>
Debts due from Companies under the same management ₹ 8,139 (previous year : ₹ 7,777). Refer Note 30.1(B)(3)(i)		
<b>9. Cash and bank balances</b>		
Cash in hand	103	-
Cheques in hand	1,809	2,463
Balances with scheduled banks :		
On current account [including unclaimed dividend (restricted) ₹ 2,089 (previous year ₹ 1,704)]	35,247	32,110
On fixed deposit accounts [including under lien ₹ 599 (previous year ₹ 414)]	116,525	100,114
	<u>153,684</u>	<u>134,687</u>

Notes to the financial statements for the year ended 31 December 2010 (Continued)

(Currency : ₹, 000)

	2010	2009
<b>10. Loans and advances</b>		
(Good and unsecured)		
Advances recoverable in cash or in kind or for value to be received	42,893	36,434
Balances with customs and excise authorities	15,291	6,149
Advance payment of tax (net)	13,410	6,172
	<u>71,594</u>	<u>48,755</u>
Refer Note 30.2(B)(e) for amounts recoverable from key management personnel and Note 30.2(B)(f) for maximum amount outstanding during the year from key management personnel.		
<b>11. Current liabilities</b>		
Sundry Creditors:		
dues to micro and small enterprises #	382	766
dues to creditors other than micro and small enterprises	193,918	115,976
Unclaimed dividends	2,089	1,704
Other liabilities	70,857	57,399
# The Company has made above disclosure on the basis of available information received from the vendors and has computed the interest liability as per Micro, Small and Medium Enterprises Development Act, 2006. However in the view of the management, the impact of interest that may be payable in accordance with the provisions of the Act is not material		
	<u>267,246</u>	<u>175,845</u>
<b>12. Provisions</b>		
Provision for tax (net)	6,494	9,247
Proposed dividend	35,675	35,675
Dividend distribution tax	5,925	6,063
Provision for compensated absences	26,232	32,840
Provision for other employee benefits	6,397	5,642
	<u>80,723</u>	<u>89,467</u>
<b>13. Other income</b>		
Custom duty drawback	1,442	1,074
Sale of raw material	7,391	3,454
Dividend	14,280	15,452
Interest (Tax deducted at source ₹ 728, previous year: ₹ 951)	7,363	10,342
Rent from letting out of property	5,236	7,694
Hire charges	291	1,122
Fixed service charges for use of common facilities	330	330
Sale of scrap	10,406	9,445
Foreign exchange gain (net)	6,398	2,292
Miscellaneous income	9,931	17,746
	<u>63,068</u>	<u>68,951</u>

## Notes to the financial statements for the year ended 31 December 2010 (Continued)

(Currency : ₹, 000)

	2010	2009
<b>14. Manufacturing and other expenses</b>		
Consumption of raw materials	A 1,519,817	1,051,125
<b>Intermediates, work-in-progress, manufactured and traded finished goods :</b>		
<i>Opening stock :</i>		
Intermediates and work-in-progress	38,824	41,769
Traded finished goods	7,039	4,895
Manufactured finished goods *	111,248	130,511
	157,111	177,175
<i>Closing stock :</i>		
Intermediates and work-in-progress	42,134	38,824
Traded finished goods	5,888	7,039
Manufactured finished goods *	130,360	111,248
* Includes provision for excise duty ₹ 12,950 (previous year : ₹ 11,019)	178,382	157,111
	B (21,271)	20,064
Purchase of goods for resale	C 17,146	40,329
<b>Personnel costs :</b>		
Salaries, wages, bonus and commission	118,007	97,334
Contribution to provident and other funds	11,944	10,802
Staff welfare expenses	7,813	6,485
Provision for other employee benefits	18,334	2,717
	D 156,098	117,338
<b>Operating and other expenses :</b>		
Packing materials consumed	116,361	86,322
Stores consumed	6,718	6,640
Power and fuel	41,958	35,899
Delivery charges	54,222	43,853
Commission on sales	2,631	514
Excise duty	3,909	(2,866)
Rent	3,006	3,398
Rates and taxes	10,208	3,561
Insurance	4,295	3,405
Repairs & Maintenance :		
on Building	4,323	2,750
on Machinery	16,635	12,188
on Other assets	3,923	4,180
Travelling expenses	11,530	7,208
Bad debts and advances written off	105	136
Provision for doubtful debts (net of recovery)	342	(333)
Miscellaneous expenses	103,359	84,190
	E 383,525	291,045
	A+B+C+D+E 2,055,315	1,519,901
<b>15. Current tax (net)</b>		
Tax provision for the current year	153,900	150,000
Additional / (reversal of) provision on assessment of earlier years (net)	(3,348)	(7,582)
	150,552	142,418

Notes to the financial statements for the year ended 31 December 2010 (Continued)

(Currency : ₹, 000)

	2010	2009
<b>16. Contingent liabilities not provided for</b>		
a) Claims against the Company not acknowledged as debts	18,574	19,278
b) Excise duty matters	12,764	8,606
c) Income tax matters	8,391	8,234
d) Sales tax matters	30,440	37,905
e) Guarantee in favour of Gujarat Industrial Development Corporation	1,224	1,224
<b>17. Estimated amounts of contracts remaining to be executed on capital account and not provided for (net of advances)</b>	<b>51,620</b>	<b>25,501</b>
<b>18. A) Managerial remuneration</b>		
i) Salaries and Performance salaries	13,760	11,865
ii) Perquisites ( at cost / fair value)	1,517	1,310
iii) Directors' sitting fees	240	230
iv) Commission to Non-whole time directors	900	750
	<u>16,417</u>	<u>14,155</u>
Note :		
Managerial remuneration disclosed above excludes accrual for employee benefits, the liability of which are ascertained for the Company as a whole on the basis of actuarial valuations		
<b>B) Computation of net profit in accordance with Section 349 of the Companies Act, 1956</b>		
Profit before tax as per Profit and loss account	473,329	460,918
Add : Managerial remuneration	16,417	14,155
Wealth tax	50	50
Provision for doubtful debts and bad debts written off (net of recovery)	447	(197)
	<u>490,243</u>	<u>474,926</u>
Less : Capital Profit on sale of Assets	-	18
Bad debts written off (including amounts written off from provision for doubtful debts & advances)	105	136
	<u>490,138</u>	<u>474,772</u>
Commission payable to Non-whole time directors @ 1% of net profit Restricted to	4,901	4,748
	<u>900</u>	<u>750</u>
<b>19. Remuneration to Auditors</b>		
a) Audit fees	750	600
b) Tax audit fees	250	225
c) Taxation matters	250	250
d) Other services including miscellaneous reports	1,160	920
e) Reimbursement of out of pocket expenses	50	46
	<u>2,460</u>	<u>2,041</u>
<b>20. Value of imports on CIF basis :</b>		
a) Raw material	512,851	314,873
b) Capital goods	5,198	2,869
c) Purchase for resale	7,226	11,003
	<u>525,275</u>	<u>328,745</u>

## Notes to the financial statements for the year ended 31 December 2010 (Continued)

(Currency : ₹, 000)

	2010	2009
<b>21. Capacities, production, sales and stocks</b>		
<b>I Quantities (Metric Tonnes)</b>		
a) Installed capacity [see note (i) below]		
Wire enamels and Impregnating varnishes	14,580	13,100
Synthetic resins	5,220	4,950
Total	19,800	18,050
b) Production for sale (excluding captive consumption)		
Wire enamels and Impregnating varnishes	13,429	10,993
Synthetic resins	3,771	2,616
Total	17,200	13,609
c) Opening stocks		
Wire enamels and Impregnating varnishes	696	812
Synthetic resins	292	216
Total	988	1,028
d) Sales		
Wire enamels and Impregnating varnishes	13,473	11,100
Synthetic resins	3,747	2,578
Total	17,220	13,678
e) Closing stocks		
Wire enamels and Impregnating varnishes	667	696
Synthetic resins	302	292
Total	969	988
<b>II Value</b>		
a) Opening stocks		
Wire enamels and Impregnating varnishes	70,736	96,739
Synthetic resins	40,512	33,772
Total	111,248	130,511
b) Sales		
Wire enamels and Impregnating varnishes	1,728,456	1,358,142
Synthetic resins	761,954	541,001
Methanol [see note (ii) below]	1,510	1,408
Total	2,491,920	1,900,551
c) Closing stocks		
Wire enamels and Impregnating varnishes	81,888	70,736
Synthetic resins	48,472	40,512
Total	130,360	111,248

## Notes :

- i) Installed capacity depends upon the product mix and is certified by the Management and relied on by the Auditors as this, being a technical matter.
- ii) Arising out of treatment of waste.
- iii) Licensed capacity is not applicable in terms of Government of India notification number S.O.477(E) dated 25 July 1991.

**22. Details of inventories of trading goods**

a) Opening stocks quantity (Metric Tonnes)	54	30
b) Opening stocks value	7,039	4,895
c) Purchases quantity (Metric Tonnes)	185	506
d) Purchases value	17,146	40,329
e) Sales quantity (Metric Tonnes)	179	475
f) Sales value	21,604	48,453
g) Closing stocks quantity (Metric Tonnes)	39	54
h) Closing stocks value	5,888	7,039

## Notes to the financial statements for the year ended 31 December 2010 (Continued)

(Currency : ₹, 000)

	2010	2009
<b>23. Details of raw materials and bought out components consumed</b>		
a) Consumption quantity (Metric Tonnes)		
Synthetic resins	1,957	1,208
Solvents	7,165	5,990
Organic chemicals	8,624	7,171
Others [see note (ii) below]	1,112	613
	<b>18,858</b>	<b>14,982</b>
b) Consumption value		
Synthetic resins	255,855	131,452
Solvents	459,652	339,700
Organic chemicals	733,136	522,555
Others [see note (ii) below]	71,174	57,418
	<b>1,519,817</b>	<b>1,051,125</b>
c) Sourcewise breakup (value) of raw materials, spare parts and components consumed		
Imported at landed cost	628,694	506,019
Indigenously procured	891,123	545,106
	<b>1,519,817</b>	<b>1,051,125</b>
d) Sourcewise breakup (%) of raw materials, spare parts and components consumed		
Imported at landed cost	41%	48%
Indigenously procured	59%	52%
	<b>100%</b>	<b>100%</b>
Notes :		
i) The figures shown above are after adjustment of excesses and shortages ascertained on physical count and include the write off of unserviceable and damaged stock.		
ii) The figures under "others" above have been adjusted to agree with the consumption ascertained on the basis of opening stock plus purchases less closing stock.		
iii) Imported items include items purchased through third parties on behalf of the Company.		
iv) For the purpose of paragraph 4D(c) of Part II of Schedule VI to the Companies Act, 1956, the term "Spare parts" has been interpreted to mean spares and components used in the manufacture of finished products and not those consumed for repairs etc.		
<b>24. Expenditure in foreign currencies (disclosed on accrual basis)</b>		
a) Royalty (gross)	8,970	6,347
b) Commission on exports	2,271	294
c) Others	14,041	10,358
	<b>25,282</b>	<b>16,999</b>
<b>25. Dividend remittances in foreign currency</b>		
a) Number of non-resident shareholders to whom remittance was made	1	1
b) Number of shares on which remittance was made	7,020,316	7,020,316
c) Net amount remitted		
Dividend for 2008	-	28,080
Dividend for 2009	31,591	-
<b>26. Earnings in foreign currencies (disclosed on accrual basis)</b>		
On account of exports at FOB value	70,419	57,491

## Notes to the financial statements for the year ended 31 December 2010 (Continued)

	(Currency : ₹, 000)	
	2010	2009
<b>27. Research and development expenses</b>		
a) Expenses of revenue nature (debited to Profit and Loss account)	36,993	25,890
b) Expenses of capital nature (shown as addition to fixed assets)	2,011	51,124
	<b>39,004</b>	<b>77,014</b>

**28. Employee benefits :****a) Defined benefit plan (Gratuity)**

The Company operates a gratuity plan wherein every employee is entitled to the benefit based on last drawn salary for each completed year of service. The same is payable on termination of service or retirement whichever is earlier. The benefit vests after five years of continuous service. The same is funded with the Life Insurance Corporation of India.

**b) Defined benefit plan (Cash rewards at retirement)**

As per the plan, at the time of normal retirement, ₹ 1 is payable to employees for each year of service rendered. The scheme is unfunded.

**c) Defined contribution plans**

Amount of ₹ 11,667 (previous year : ₹ 10,634) is recognised as an expense and included in the 'Contributions to provident and other funds' under note no 14.

	(Currency : ₹, 000)			
	2010 Gratuity	2009 Gratuity	2010 Cash rewards	2009 Cash rewards
<b>I) Reconciliation of opening and closing balance of obligations</b>				
Liability at the beginning of the year	29,190	30,798	1,651	1,860
Current service cost	1,706	1,146	56	71
Past service cost	22,333	-	-	-
Interest cost	3,021	1,812	110	107
Benefits paid	(6,045)	(3,400)	(356)	(261)
Actuarial (gain) / loss on obligations	1,686	(1,166)	(106)	(126)
<b>Liability at the end of the year</b>	<b>51,891</b>	<b>29,190</b>	<b>1,355</b>	<b>1,651</b>
<b>II) Reconciliation of opening and closing balance of fair value of plan assets</b>				
Fair value of plan assets at the beginning of the year	33,020	32,632	-	-
Expected return on plan assets	2,474	2,193	-	-
Contributions by the employer	20,001	1,115	-	-
Benefits paid	(6,045)	(3,400)	(356)	(261)
Actuarial gain / (loss) on plan assets	995	480	-	-
<b>Fair value of plan assets at the end of the year</b>	<b>50,445</b>	<b>33,020</b>	<b>(356)</b>	<b>(261)</b>
<b>III) Net actuarial (gain) / loss</b>				
Actuarial (gain) / loss on Obligations	1,686	(1,166)	(106)	(126)
Actuarial gain / (loss) on Plan Assets	995	480	-	-
<b>Net actuarial (gain) / loss</b>	<b>691</b>	<b>(1,646)</b>	<b>(106)</b>	<b>(126)</b>
<b>IV) Amount recognised in the Balance sheet</b>				
Defined benefit obligation as at end of the year	51,891	29,190	1,355	1,651
Fair Value of plan assets at the end of the year	50,445	33,020	-	-
<b>Net Liability / (Asset)</b>	<b>1,446</b>	<b>(3,830)</b>	<b>1,355</b>	<b>1,651</b>

Notes to the financial statements for the year ended 31 December 2010 (Continued)

(Currency : ₹, 000)

	2010 Gratuity	2009 Gratuity	2010 Cash rewards	2009 Cash rewards
<b>V) Expense recognised in Profit and loss account</b>				
Current service cost	1,706	1,146	56	71
Past service cost	22,333	-	-	-
Interest cost	3,021	1,812	110	107
Expected return on plan assets	(2,474)	(2,193)	-	-
Net Actuarial (gain) / loss	691	(1,646)	(106)	(126)
<b>Total expenses included in "Provision for other employee benefits" under Note 14</b>	<b>25,277</b>	<b>(881)</b>	<b>60</b>	<b>52</b>
<b>VI) Actual return on plan assets</b>				
Expected return on plan assets	2,474	2,193	-	-
Actuarial gain / (loss) on plan assets	995	480	-	-
<b>Actual return on plan assets</b>	<b>3,469</b>	<b>2,673</b>	<b>-</b>	<b>-</b>
<b>VII) Principal actuarial assumptions</b>				
Discount rate	8.00%	7.50%	8.00%	7.50%
Expected return on plan assets	7.00%	7.00%	NA	NA
Salary escalation rate	10.50%	10.50%	NA	NA
<b>VIII) Other disclosures - Gratuity</b>				
Liability at the end of the year	51,891	29,190	30,798	29,933
Fair value of plan assets at the end of the year.	50,445	33,020	32,632	30,359
Amount recognised in the Balance Sheet	1,446	(3,830)	(1,834)	(426)
Experience adjustments on liability	3,389	(328)	(757)	1,692
Experience adjustments on plan assets	(995)	(480)	(1,140)	(562)
<b>IX) Other disclosures - Cash rewards at retirement</b>				
Liability at the end of the year	1,354	1,651	1,860	NIL
Experience adjustments on liability	(72)	(16)	NIL	NIL

d) Notes :

- 1) The plan assets comprises entirely of "Insurer Managed Funds".
- 2) The expected return on plan assets is based on market expectations, at the beginning of the year, for returns over the entire life of related obligations.
- 3) The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors on a long term basis.
- 4) Expected Employer's contribution in next year ₹ 2,000 ( Previous year ₹ 1,115).

**29. Segment reporting**

The Company has disclosed business segments as the primary segment. Segments have been identified by the management taking into account the nature of products, manufacturing process, customer profiles, risk and reward parameters and other relevant factors.

The Company's operations have been classified into two primary segments, "Electrical Insulations" and "Engineering and Electronic Resins and Materials". Segment assets include all operating assets used by the business segment and consist primarily of fixed assets, debtors and inventories. Segment liabilities primarily include creditors and other liabilities. Assets and liabilities that cannot be allocated between the segments are shown as a part of unallocable assets and liabilities.

Secondary segments have been identified with reference to geographical location of the customers. The Company has identified India and outside India as the two geographical segments for secondary segmental reporting. Geographical sales are segregated based on the location of the customer who is invoiced. Assets other than receivables used in the Company's business or liabilities contracted have not been identified to any of the reportable geographical segments, as these are used interchangeably between geographical segments. All assets other than receivables are located in India. Similarly, capital expenditure is incurred towards fixed assets in India.



## Notes to the financial statements for the year ended 31 December 2010 (Continued)

	(Currency : ₹, 000)	
	2010	2009
<b>29.1 Primary Business Segments</b>		
<b>1. Segmentwise revenue</b>		
a) Electrical Insulations	2,014,467	1,635,277
b) Engineering and Electronic Resins and Materials	530,664	343,256
<b>Total</b>	<b>2,545,131</b>	<b>1,978,533</b>
<b>2. Other unallocable income</b>	<b>31,461</b>	<b>39,423</b>
<b>Net sales / Income from operations (1 + 2)</b>	<b>2,576,592</b>	<b>2,017,956</b>
<b>3. Segment results Profit (+) / Loss (-) before tax and interest</b>		
a) Electrical Insulations	379,659	390,522
b) Engineering and Electronic Resins and Materials	75,027	44,475
<b>Total</b>	<b>454,686</b>	<b>434,997</b>
<b>4. Interest</b>	<b>327</b>	<b>307</b>
<b>5. Other unallocable expenditure</b>	<b>12,491</b>	<b>13,195</b>
<b>6. Profit before tax</b>	<b>473,329</b>	<b>460,918</b>
Provision for tax (net)	150,552	142,418
Provision for deferred tax ( release)/ charge	(961)	1,852
Provision for fringe benefit tax (net)	(200)	450
<b>7. Profit after tax</b>	<b>323,938</b>	<b>316,198</b>
<b>Other information</b>		
<b>8. Segment assets</b>		
a) Electrical Insulations	903,330	703,746
b) Engineering and Electronic Resins and Materials	296,576	232,031
c) Other unallocable	809,319	709,277
<b>Total</b>	<b>2,009,225</b>	<b>1,645,054</b>
<b>9. Segment liabilities</b>		
a) Electrical Insulations	228,212	166,146
b) Engineering and Electronic Resins and Materials	61,496	39,062
c) Other unallocable	72,390	75,195
<b>Total</b>	<b>362,098</b>	<b>280,403</b>
<b>10. Capital expenditure</b>		
a) Electrical Insulations	47,513	13,348
b) Engineering and Electronic Resins and Materials	8,281	66,072
c) Other unallocable	25,441	119
<b>Total</b>	<b>81,235</b>	<b>79,539</b>
<b>11. Depreciation / Amortisation</b>		
a) Electrical Insulations	28,214	27,812
b) Engineering and Electronic Resins and Materials	18,931	8,625
c) Other unallocable	476	392
<b>Total</b>	<b>47,621</b>	<b>36,829</b>
<b>29.2 Secondary Business Segments</b>		
<b>1. Revenue</b>		
India	2,470,911	1,917,150
Outside India	74,220	61,383
<b>Total</b>	<b>2,545,131</b>	<b>1,978,533</b>
<b>2. Segment assets</b>		
India	340,274	260,927
Outside India	8,139	8,800
<b>Total</b>	<b>348,413</b>	<b>269,727</b>

Notes to the financial statements for the year ended 31 December 2010 (Continued)

(Currency : ₹, 000)

	2010	2009
<b>30. Related party disclosures</b>		
<b>30.1 A. List of related parties and relationship</b>		
SKion GmbH		Holding company of Altana AG
ALTANA AG		Holding company of Altana Chemie GmbH
ALTANA Chemie GmbH		Holding company of ELANTAS GmbH
ELANTAS GmbH		Holding company (88.55%)
BYK-Chemie GmbH		Fellow Subsidiary
ELANTAS Beck GmbH		Fellow Subsidiary
ELANTAS UK Ltd.		Fellow Subsidiary
ELANTAS PDG Inc.		Fellow Subsidiary
ELANTAS Deatech S.r.l.		Fellow Subsidiary
ELANTAS Tongling Co Ltd		Fellow Subsidiary
ELANTAS Zhuhai Co., Ltd.		Fellow Subsidiary
ELANTAS Isolantes Electricos Do Brasil LTDA		Fellow Subsidiary
BYK Chemie Asia Pacific PTE Ltd		Fellow Subsidiary
ACTEGA AG		Fellow Subsidiary
<b>B. Transactions with related parties</b>		
<b>1. Summary of transactions</b>		
a) Sales, commission and recoveries from related parties	29,606	25,173
b) Purchases / other services from related parties	23,280	18,090
c) License fee (Income)	3,200	3,051
d) Royalty paid to related parties (gross)	8,970	6,347
e) Dividend	31,590	31,590
<b>2. Related party- wise transactions</b>		
<b>a) ALTANA AG</b>		
Purchases / other services	198	-
<b>b) ELANTAS GmbH</b>		
Sales, commission and recoveries	3,151	3,337
Purchases / other services	7,548	5,780
Dividend	31,590	31,590
Royalty paid (gross)	2,832	2,693
<b>c) ELANTAS Beck GmbH</b>		
Purchases / other services	68	-
<b>d) ELANTAS Deatech S.r.l.</b>		
Sales, commission and recoveries	405	4,840
Purchases / other services	9,926	8,852
Royalty paid (gross)	4,636	2,361
<b>e) ELANTAS PDG Inc.</b>		
Royalty paid (gross)	744	768
<b>f) ELANTAS UK Ltd.</b>		
Royalty paid (gross)	758	525
<b>g) BYK-Chemie GmbH</b>		
Purchases / other services	4,892	3,358
<b>h) BYK Chemie Asia Pacific PTE Ltd</b>		
Sales, commission and recoveries	484	327
License fee (Income)	3,200	3,051
<b>i) ELANTAS Tongling Co Ltd</b>		
Sales, commission and recoveries	21,624	15,190

## Notes to the financial statements for the year ended 31 December 2010 (Continued)

(Currency : ₹, 000)

	2010	2009
<b>j) ELANTAS Zhuhai Co., Ltd.</b>		
Sales, commission and recoveries	3,942	1,363
Purchases / other services	-	100
<b>k) ELANTAS Isolantes Electricos Do Brasil LTDA</b>		
Sales, commission and recoveries	-	116
<b>l) ACTEGA AG</b>		
Purchases / other services	648	-
<b>3. Outstanding balances</b>		
<b>i) Sundry debtors</b>		
ELANTAS GmbH	4,203	1,649
ELANTAS Deatech S.r.l.	-	4,145
ELANTAS Zhuhai Co., Ltd.	379	146
ELANTAS Tongling Co Ltd	3,557	1,837
<b>Total</b>	<b>8,139</b>	<b>7,777</b>
<b>ii) Current liabilities</b>		
ALTANA AG	152	-
ELANTAS GmbH	7,353	6,366
ELANTAS Deatech S.r.l.	2,640	3,019
BYK Chemie Asia Pacific PTE Ltd	2,379	2,379
<b>Total</b>	<b>12,524</b>	<b>11,764</b>
<b>30.2 A. Key management personnel and relatives of key management personnel</b>		
<b>Key management personnel :</b>		
Mr. Rajeev Bhide		
Mr. Prashant Deshpande		
Mr. Sharadkumar Shetye		
Note : Details of remuneration to directors are disclosed in Note 18 to the financial statements.		
<b>Relatives of key management personnel :</b>		
Mrs. M. R. Shetye		
<b>B. Transactions with key management personnel and relatives of key management personnel</b>		
<b>a) Managerial remuneration</b>		
Mr. Rajeev Bhide	5,988	4,970
Mr. Prashant Deshpande	4,774	4,288
Mr. Sharadkumar Shetye	4,515	3,917
<b>Total</b>	<b>15,277</b>	<b>13,175</b>
<b>b) Rent</b>		
Mrs. M. R. Shetye	120	120
<b>c) Increase / (decrease) in loan balance</b>		
Mr. Rajeev Bhide	(148)	(143)
Mr. Prashant Deshpande	(186)	(179)
<b>Total</b>	<b>(334)</b>	<b>(322)</b>
<b>d) Interest received on loans given</b>		
Mr. Rajeev Bhide	31	36
Mr. Prashant Deshpande	54	61
<b>Total</b>	<b>85</b>	<b>97</b>

Notes to the financial statements for the year ended 31 December 2010 (Continued)

(Currency : ₹, 000)

	2010	2009
e) Outstanding balances		
Loans and advances		
Mr. Rajeev Bhide	783	930
Mr. Prashant Deshpande	1,433	1,619
Total	2,216	2,549
Current liabilities		
Mr. Rajeev Bhide	2,070	1,500
Mr. Prashant Deshpande	1,478	1,125
Mr. Sharadkumar Shetye	1,467	1,125
Total	5,015	3,750
f) Maximum amount outstanding during the year		
Loans and advances		
Mr. Rajeev Bhide	930	1,073
Mr. Prashant Deshpande	1,619	1,798
<b>31. Earnings per share - Basic and Diluted</b>		
a) Net profit for the year after tax	323,938	316,198
Calculation of weighted average number of equity shares		
Number of shares at the beginning and end of the year	7,927,682	7,927,682
b) Weighted average number of equity shares	7,927,682	7,927,682
Earnings per share (a) / (b)	40.86	39.89
Nominal value per share ₹ 10 each (Previous year - ₹ 10 each)		
<b>32. Foreign currency exposures</b>		
a) Foreign currency receivables representing debtors	8,139	8,800
Foreign currency ('000) :		
Euro	70	22
US\$	88	124
b) Foreign currency payables representing creditors and other payables	67,842	25,552
Foreign currency ('000) :		
Euro	312	93
US\$	1,075	387
c) Foreign currency bank balance ( US\$ Nil (previous year :US\$ 40))	-	1,843
d) Foreign currency receivables representing advances	3,892	859
Foreign currency ('000) :		
US\$	86	18
<b>33.</b> Management believes that the Company's international transactions with related parties post 31 March 2010 (last period upto which an Accountants' report has been submitted as required under the Income tax Act, 1961) continue to be at arm's length and that the transfer pricing legislation will not have any impact on these financial statements, particularly on the amount of tax expense and that of provision for taxation.		
<b>34. Cash and cash equivalents comprises of :</b>		
Cash in hand	103	-
Cheques on hand	1,809	2,463
Balances with banks :		
Current account	35,247	32,110
Deposit account	-	9,500
	37,159	44,073
<b>35.</b> The previous year's figures have been regrouped / reclassified wherever necessary to conform to the current year's classification.		

**For B S R & Co.**  
Chartered Accountants  
Firm Registration No. : 101248W  
**Juzer Miyajiwala**  
Partner  
Membership No.: 047483  
Pune, 15 February 2011

**Shirish Dabir**  
Company  
Secretary

For and on behalf of the Board of Directors

**Suresh Talwar**  
Director

**Ravindra Kulkarni**  
Director

**Pradeep Mallick**  
Director

**Dr Matthias Wolfgruber**  
Chairman

**Dr. Wolfgang Schütt**  
Director

**Rajeev Bhide**  
Managing Director

Additional Information as required under Part IV of Schedule VI to the Companies Act, 1956

**Balance Sheet abstract and general business profile :****I. Registration details :**

Registration no.....	9752
State code.....	11
Balance Sheet date.....	31.12.2010

**II. Capital raised during the period :**

(Amount in ₹, 000)

Public issue .....	Nil
Rights issue .....	Nil
Bonus issue .....	Nil
Private placement .....	Nil

**III. Position of mobilisation and deployment of funds :**

(Amount in ₹, 000)

<b>Total liabilities</b> .....	2,009,225
<b>Total assets</b> .....	2,009,225

**Sources of funds :**

Paid-up capital.....	79,277
Reserves & surplus.....	1,567,850
Secured loans.....	-
Unsecured loans.....	-
Deferred tax balance.....	14,129

**Application of funds :**

Net fixed assets.....	357,624
Investments .....	594,470
Net current assets .....	709,162
Miscellaneous expenditure.....	-
Accumulated losses .....	-

**IV. Performance of Company**

(Amount in ₹, 000)

Turnover including other income .....	2,576,592
Total expenditure.....	2,103,263
Profit before tax.....	473,329
Profit after tax .....	323,938
Earning per share (₹) .....	40.86
Dividend per share (₹).....	4.50

**V. Generic Names of Principal Products of the Company :**

Item Code No. (ITC Code).....	(As per monetary terms)
32089041.....	Insulating Varnishes
39079190.....	Unsaturated Polyester Resins
39073010.....	Epoxide Resins

## NOTICE

Notice is hereby given that the Fifty-fifth Annual General Meeting of the members of ELANTAS Beck India Ltd. will be held on Tuesday, 19<sup>th</sup> day of April 2011 at 3.00 p.m. at Hall No.4, 'A' Wing, 5<sup>th</sup> Floor, MCCA Trade Tower, ICC Complex, Senapati Bapat Road, Pune-411 016, to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31 December 2010 and the Profit & Loss Account for the year ended on that date along with the Reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. Suresh Talwar who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Pradeep Mallick who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

### SPECIAL BUSINESS:

6. **Ratification of amount of perquisites accrued to the Managing Director, Mr. Rajeev Bhide, during the year ended 31.12.2010, in excess of the present ceiling limit on perquisites.**

To consider and if thought fit, to pass with or without modifications, as an Ordinary Resolution, the following:

"RESOLVED THAT consent of the members be and is hereby given to ratify the amount of ₹ 32,744/- accrued as perquisites to Mr. Rajeev Bhide -Managing Director, during the year ended 31.12.2010, in excess of the present ceiling limit of ₹ 15 lakh p.a approved by the members".

7. **Revision in overall maximum ceiling on remuneration to the Managing Director and the Wholetime Directors.**

To consider and if thought fit, to pass with or without modifications, as an Ordinary Resolution, the following:

"RESOLVED THAT subject to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 and Schedule XIII of the said Act, consent of the Company be and is hereby accorded to increase the overall maximum ceiling pertaining to Salary & Special Allowance, Performance-Salary and Perquisites of the Managing Director and the Wholetime Directors of the Company as set out below:

Particulars	Managing Director		Wholetime Director	
	Present	Proposed	Present	Proposed
Salary & Special Allowance	₹ 30 lakh	₹ 40 lakh	₹ 20 lakh	₹ 25 lakh
Performance Salary	₹ 25 lakh	₹ 30 lakh	₹ 18 lakh	₹ 22 lakh
Perquisites	₹ 15 lakh	₹ 25 lakh	₹ 12 lakh	₹ 18 lakh

8. **Re-appointment of Mr. Prashant Deshpande as a Wholetime Director**

To consider and if thought fit, to pass with or without modifications, as an Ordinary Resolution, the following:

"RESOLVED THAT subject to such consents, permissions and approvals as may be required, and pursuant to the provisions of Sections 198, 269, 309, 310 & 311 and all other applicable provisions of the Companies Act, 1956 (hereinafter referred to as 'the Act') read with Schedule XIII of the Act, the Company hereby accords its approval to the re-appointment of Mr. Prashant Deshpande as a Wholetime Director (Director – Marketing) for a period of one year, from 28 May 2011 to 27 May 2012, on such remuneration by way of salary, commission and perquisites, as set out in the Explanatory Statement annexed hereto, provided that, the total remuneration (including all perquisites) shall fall within the overall ceiling as specified under Section 198 of the Act, provided further that, in the event where in any financial year during the currency of tenure of Mr. Prashant Deshpande, the Company has no profits or its profits are inadequate, it may pay a remuneration to Mr. Prashant Deshpande, the total of which shall not exceed the ceiling limit as provided in Section II of Part II of Schedule XIII of the Act or such other amounts as may be specified by the Government from time to time by any amendment to the Act."

9. **Re-appointment of Mr. Sharadkumar Shetye as a Wholetime Director**

To consider and if thought fit, to pass with or without modifications, as an Ordinary Resolution, the following:

"RESOLVED THAT subject to such consents, permissions and approvals as may be required, and pursuant to the provisions of Sections 198, 269, 309, 310 & 311 and all other applicable provisions of the Companies Act, 1956 (hereinafter referred to as 'the Act') read with Schedule XIII of the Act, the Company hereby accords its approval to the re-appointment of Mr. Sharadkumar Shetye as a Wholetime Director (Director – Manufacturing) for a period of one year, from 28 May 2011 to 27 May 2012, on such remuneration by way of salary, commission and perquisites, as set out in the Explanatory Statement annexed hereto, provided that, the total remuneration (including all perquisites) shall fall within the overall ceiling as specified under Section 198 of the Act, provided further that, in the event where in any financial year during the currency of tenure of Mr. Sharadkumar Shetye, the Company has no profits or its profits are inadequate, it may pay a remuneration to Mr. Sharadkumar Shetye, the total of which shall not exceed the ceiling limit as provided in Section II of Part II of Schedule XIII of the Act or such other amounts as may be specified by the Government from time to time by any amendment to the Act."

**NOTES:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself on a poll only and a proxy need not be a member.

In order to be effective, proxies duly signed and stamped, must be deposited at the registered office of the Company not less than 48 hours before the meeting.

2. The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the Special Business at item Nos. 6, 7, 8 & 9 of the Notice is annexed.

3. The relevant details in respect of item Nos. 3, 4, 8 & 9 of the Notice, pursuant to Clause 49 G (i) of the Listing Agreement are as follows:

Profile of Directors seeking appointment, re-appointment in the forthcoming Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement).

**A. Directors retiring by rotation:**

- (i) Mr. Suresh Talwar, age 72 years, is a Commerce & Law graduate from University of Bombay. He is also an advocate & solicitor. He was a partner of Crawford Bayley & Co. till 31 March 2006 and is currently a partner of Talwar, Thakore & Associates. Mr. Suresh Talwar specializes in Corporate Law, Corporate Tax, Foreign Exchange Laws etc.

The Directorships / Committee Memberships of other companies held by Mr. Suresh Talwar are as follows:

Name of the Company	Board Position held	Committee Membership
PZ Cussons India Private Ltd.	Chairman & Alternate Director	
FCI OEN Connectors Ltd.	Chairman & Alternate Director	Audit Committee - Chairman
Transwarranty Finance Limited	Chairman & Alternate Director	
Armstrong World Industries (India) Pvt. Ltd.	Chairman	
Merck Ltd.	Chairman	Audit Committee - Chairman
Sidham Finance & Investments Pvt. Ltd.	Chairman	
Biocon Limited	Director	Audit Committee
Birla Sun Life Insurance Co. Ltd.	Director	
Birla Sun Life Trustee Co. Pvt. Ltd.	Director	Audit Committee
Blue Star Limited	Director	Audit Committee - Chairman
Blue Star Infotech Limited	Director	Audit Committee
Cadbury India Limited	Director	Audit Committee
Chowgule & Company Pvt. Ltd.	Director	
Chowgule Ports & Infrastructure Private Ltd.	Director	
Decagon Investments Pvt. Ltd.	Director	
Emerson Process Management (India) Pvt. Ltd.	Director	
Epitome Global Services Pvt. Ltd.	Director	
Esab India Limited	Director	
Greaves Cotton Limited	Director	Audit Committee
India Value Fund Trustee Company Pvt. Limited	Director	
IVF Trustee Company Pvt. Limited	Director	
IVF (Mauritius) PCC	Director	
IVF (Mauritius) Limited	Director	
Indium III (Mauritius) Holding Limited.	Director	
Indium III (Mauritius) Limited	Director	
Indium IV (Mauritius) Holding Limited	Director	
Indium IV (Mauritius) Limited	Director	
John Fowler (India) Pvt. Ltd.	Director	
Larsen & Toubro Ltd.	Director	
MF Global (India) Pvt. Ltd.	Director	
Morgan Stanley India Capital Pvt. Ltd.	Director	Audit Committee
Rediffusion-Dentsu, Young & Rubicam Pvt. Ltd.	Director	
Rakeen Development PJSc	Director	
Sandvik Asia Pvt. Ltd.	Director	Audit Committee - Chairman
Shrenuj & Co. Ltd.	Director	
Samson Maritime Ltd.	Director	
Solvay Pharma India Ltd.	Director	Audit Committee
Snowcem Paints Pvt. Ltd.	Director	
Sonata Software Limited	Director	

Name of the Company	Board Position held	Committee Membership
Swiss Re Shared Services (India) Pvt. Ltd.	Director	
TTK Healthcare TPA Private Limited	Director	
Warner Bros Pictures (India) Pvt. Ltd.	Director	
Albright & Wilson Chemicals India Ltd.	Alternate Director	
Garware-Wall Ropes Ltd.	Alternate Director	
Hindustan Gum & Chemicals Limited	Alternate Director	
Johnson & Johnson Ltd.	Alternate Director	
Uhde India Pvt. Ltd.	Alternate Director	

- (ii) Mr. Pradeep Mallick, age 68 years, is a graduate of IIT, Madras (B.Tech.) and is a Fellow of the Institution of Engineering & Technology (FIET), London. He is a member of the Board since 28 March 2002, and is a Non-Executive Independent Director.

The Directorships / Committee Memberships of other companies held by Mr. Pradeep Mallick are as follows:

Name of the Company	Board Position held	Committee Membership
AEGON Trustee Co. Pvt. Ltd.	Director	
Auro Mira Energy Co. Pvt. Ltd.	Chairman	
Automotive Stampings and Assemblies Ltd.	Chairman	Audit Committee
Blue Star Limited	Director	Audit Committee
ESAB India Ltd.	Director	Audit Committee, Shareholders'/Investors Grievance Committee - Chairman
Gravitational Network Advisors (P) Ltd.	Director	
IRIS Business Services Ltd.	Director	
JRG Securities Ltd.	Director	Audit Committee
Mount Everest Mineral Water Ltd.	Director	Audit Committee, Shareholders'/Investors Grievance Committee - Chairman
Pragati Leadership Institute Pvt. Ltd.	Director	
Tube Investment of India Ltd.	Director	Audit Committee

**B. Directors seeking appointment / re-appointment**

- (i) Mr. Prashant Deshpande, age 66 years, has done his post graduation in Electrical Engineering and Master of Business Administration.  
 He joined the Board of Directors of the Company in the year 1999. He has more than 42 years of experience in Sales and Marketing with various multinational companies in India and Canada.  
 He does not hold Directorships/Committee Memberships of any other Companies in India.
- (ii) Mr. Sharadkumar Shetye, age 62 years, is B.Tech. in Chemical Engineering from IIT, Powai, Mumbai. He has also obtained post-graduate degree, Master in Management Sciences (M. M. S.) from the University of Pune.  
 He has about 40 years of experience and has worked on various projects in the areas of Project design, execution, installation and commissioning. He has also worked in product and process design and development. He has rich experience and expertise in different areas such as Engineering and Maintenance, Process Instrumentation, Quality Assurance, Personnel and Industrial Relations, Industrial Safety, Quality & Environmental Management Systems, and practical experience in other branches of engineering such as Mechanical, Electrical and Civil Engineering.  
 He does not hold Directorships/Committee Memberships of any other Companies in India.
4. (a) The Register of Members and Share Transfer books of the Company will remain closed from Wednesday, 13 April 2011 to Tuesday, 19 April 2011 (both days inclusive).
- (b) Members are requested to notify immediately any change in their address to the Registrars and Share Transfer Agents of the Company viz. Sharepro Services (India) Pvt. Ltd. at the following address:  
 Sharepro Services (India) Pvt. Ltd.  
 Sam Hita Warehousing Complex,  
 Warehouse No 52 & 53, Plot No 13AB,  
 2nd Floor Sakinaka, Andheri (East),  
 Mumbai 400072.  
 Phone: (022) 67720300 / 347



5. Members desirous of availing the facility of nomination in respect of shares held by them may send their nomination in the prescribed Form No. 2B, duly filled in, to the Company's Registrars and Share Transfer Agents, quoting their respective folio number/s, and giving details of share certificate number/s and distinctive number of shares.
6. Pursuant to Section 205C of the Companies Act, 1956, the Company will be transferring in April 2011, the unclaimed dividend for the financial year ended 31.12.2003 to the Investor's Education and Protection Fund of the Central Government. Shareholders who have not encashed the dividend warrants so far, for the financial year ended 31.12.2003 or any subsequent financial years are requested to make their claims addressed to: The Company Secretary, ELANTAS Beck India Ltd., Beck House, Damle Path, Off Law College Road, Pune- 411004.

It may also be noted that once the unclaimed dividend is transferred to the credit of the said Fund, as above, no claim shall lie in respect thereof with the Company.

Pune  
Date: 24 March 2011

By order of the Board of Directors  
Shirish Dabir  
Company Secretary

## Annexure to the Notice

Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956.

### Item No. 6

The members in the General Meeting held on 26 May 2008 had approved the ceiling of ₹ 15 lakh on perquisites payable to the Managing Director. During the year 2010, the amount of perquisites paid and accrued to the Managing Director, Mr. Rajeev Bhide worked out to ₹ 15,32,744/-, which exceeded the ceiling limit of ₹ 15 lakh by ₹ 32,744/- on account of the accrued value of options in the Parent Company treated as a perquisite.

It is proposed that the aforesaid amount of ₹ 32,744/- accrued in excess of the ceiling limit on perquisites, to the Managing Director, be ratified by the members.

Except Mr. Rajeev Bhide, no other director is concerned or interested in the resolution.

### Item No. 7

The members in General Meetings have resolved to appoint/ re-appoint the Managing Director and Wholetime Directors of the Company with the authority to the Board to alter and revise the remuneration within the overall maximum ceiling fixed by the members. It is proposed that the overall maximum ceiling for Salary & Special Allowance, Performance Salary and Perquisites of the Managing Director and Wholetime Directors of the Company be raised as mentioned in the resolution with effect from 15 February 2011 to provide for increments to them, on the basis of their own performance and that of the Company.

Except Mr. Rajeev Bhide, Mr. Prashant Deshpande and Mr. Sharadkumar Shetye, no other director is concerned or interested in the resolution.

### Item No. 8

The Board of Directors, at its meeting held on 15 February 2011, re-appointed Mr. Prashant Deshpande, as a Wholetime Director of the Company for a period of one year with effect from 28 May 2011 i.e. from 28 May 2011 to 27 May 2012, on the terms & conditions and remuneration set out in the agreement to be entered into with him.

The Company now proposes to seek the approval of the members to consider his re-appointment from 28 May 2011 to 27 May 2012, on the following remuneration which shall be within the overall ceilings as specified in Schedule XIII of the Companies Act, 1956.

#### A. Salary:

Salary including special allowance not exceeding ₹ 25 lakh per annum, as may be decided by the Board of Directors from time to time.

#### B. Performance Salary:

Performance Salary not exceeding ₹ 22 lakh per annum, as may be decided by the Board of Directors from time to time.

#### C. Perquisites:

- (i) Housing: Furnished / unfurnished accommodation or House Rent Allowance in lieu thereof.
- (ii) Other perquisites: Gas, electricity, water, furnishing, medical reimbursement, leave travel allowance (for self and family), club fees, medical insurance, other benefits and amenities as per the rules of the Company as applicable from time to time.

Monetary value of the above perquisites is restricted to ₹ 18 lakh per annum. Company's contribution to Provident Fund, Superannuation fund and benefits under the Company's pension scheme not exceeding 27% of the salary shall not be included in the computation of limits for remuneration or perquisites as aforesaid.

Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and encashment of Leave at the end of the tenure shall not be included in the computation of limits of remuneration or perquisites.

Explanation: Perquisites shall be evaluated as per the Income Tax Rules, 1962 wherever applicable and in the absence of any such rule, perquisites shall be evaluated on the basis of actual cost thereof to the Company.

Use of car for official duties and telephone at residence (including payments of local and long distance official calls) will not be included in the computation of perquisites for the purpose of computing the ceiling.

Where in any financial year during the tenure of Mr. Prashant Deshpande, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to Mr. Prashant Deshpande by way of salary, special allowance, performance linked incentive / bonus, perquisites and any other allowance, (such an amount not exceeding the ceiling limits of ₹ 65,00,000/- per annum or ₹ 5,41,666/- per month as the case may be), in terms of para 1 of Section II of Schedule XIII to the Companies Act, 1956. The following perquisites however, shall not be included in the computation with respect to the ceiling on remuneration:

- (a) Contribution to provident fund, superannuation fund, annuity fund and benefits under the Company's pension scheme to the extent these singly or put together are not taxable under the Income Tax Act, 1961.
- (b) Gratuity payable at a rate not exceeding half a months salary for each completed year of service, and
- (c) Encashment of leave at the end of tenure.

The total remuneration payable by way of salary/special allowance, performance linked incentive / bonus, commission, perquisites and other allowances, contribution to provident fund, superannuation fund, and benefits under the Company's pension scheme to Mr. Prashant Deshpande, together with the remuneration payable to the Managing Director and other

Wholetime Director(s), if any, shall not exceed 10% of the net profits of the Company computed in accordance with Section 198 and Section 309 of the Companies Act, 1956.

The Board of Directors may, in its discretion pay to the Wholetime Director, lower remuneration than the maximum remuneration stipulated above and revise the remuneration from time to time, within the maximum limits stipulated above.

Except Mr. Prashant Deshpande, who is interested in the resolution and in his re-appointment, none of the other directors of the Company is interested in this resolution. The Board recommends passing of the subject resolution.

The above should also be considered as an abstract of the terms of the re-appointment of Mr. Prashant Deshpande and a memorandum as to the nature of the concern or interest of the director in the said re-appointment as required under Section 302 of the Companies Act, 1956.

**Item No. 9**

The Board of Directors, at its meeting held on 15 February 2011, re-appointed Mr. Sharadkumar Shetye, as a Wholetime Director of the Company for a period of one year with effect from 28 May 2011 i.e. from 28 May 2011 to 27 May 2012, on the terms & conditions and remuneration set out in the agreement to be entered into with him.

The Company now proposes to seek the approval of the members to consider his re-appointment from 28 May 2011 to 27 May 2012, on the following remuneration which shall be within the overall ceilings as specified in Schedule XIII of the Companies Act, 1956.

**A. Salary:**

Salary including special allowance not exceeding ₹ 25 lakh per annum, as may be decided by the Board of Directors from time to time.

**B. Performance Salary:**

Performance Salary not exceeding ₹ 22 lakh per annum, as may be decided by the Board of Directors from time to time.

**C. Perquisites:**

- (i) Housing: Furnished / unfurnished accommodation or House Rent Allowance in lieu thereof.
- (ii) Other perquisites: Gas, electricity, water, furnishing, medical reimbursement, leave travel allowance (for self and family), club fees, medical insurance, other benefits and amenities as per the rules of the Company as applicable from time to time.

Monetary value of the above perquisites is restricted to ₹ 18 lakh per annum. Company's contribution to Provident Fund, Superannuation fund and benefits under the Company's pension scheme not exceeding 27% of the salary shall not be included in the computation of limits for remuneration or perquisites as aforesaid.

Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and encashment of Leave at the end of the tenure shall not be included in the computation of limits of remuneration or perquisites.

Explanation: Perquisites shall be evaluated as per the Income Tax Rules, 1962 wherever applicable and in the absence of any such rule, perquisites shall be evaluated on the basis of actual cost thereof to the Company.

Use of car for official duties and telephone at residence (including payments of local and long distance official calls) will not be included in the computation of perquisites for the purpose of computing the ceiling.

Where in any financial year during the tenure of Mr. Sharadkumar Shetye, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to Mr. Sharadkumar Shetye by way of salary, special allowance, performance linked incentive / bonus, perquisites and any other allowance, (such an amount not exceeding the ceiling limits of ₹ 65,00,000/- per annum or ₹ 5,41,666/- per month as the case may be), in terms of para 1 of Section II of Schedule XIII to the Companies Act, 1956. The following perquisites however, shall not be included in the computation with respect to the ceiling on remuneration:

- (a) Contribution to provident fund, superannuation fund, annuity fund and benefits under the Company's pension scheme to the extent these singly or put together are not taxable under the Income Tax Act, 1961.
- (b) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and
- (c) Encashment of leave at the end of tenure.

The total remuneration payable by way of salary/special allowance, performance linked incentive / bonus, commission, perquisites and other allowances, contribution to provident fund, superannuation fund and benefits under the Company's pension scheme to Mr. Sharadkumar Shetye, together with the remuneration payable to the Managing Director and other Wholetime Director(s), if any, shall not exceed 10% of the net profits of the Company computed in accordance with Section 198 and Section 309 of the Companies Act, 1956.

The Board of Directors may, in its discretion pay to the Wholetime Director, lower remuneration than the maximum remuneration stipulated above and revise the remuneration from time to time, within the maximum limits stipulated above.

Except Mr. Sharadkumar Shetye, who is interested in the resolution and in his re-appointment, none of the other directors of the Company is interested in this resolution. The Board recommends passing of the subject resolution.

The above should also be considered as an abstract of the terms of the re-appointment of Mr. Sharadkumar Shetye and a memorandum as to the nature of the concern or interest of the director in the said re-appointment as required under Section 302 of the Companies Act, 1956.

**ATTENDANCE SLIP**

Registered Office : 'Beck House', Damle Path, Off Law College Road, Pune 411004

1. Please fill this Attendance slip and hand it over at the entrance of the meeting hall.
2. Only Members of the Company or their proxies will be allowed to attend the meeting.

I hereby record my presence at the Fifty-fifth Annual General Meeting of the Company, held on Tuesday, 19 April 2011 at 3.00 p.m. at Hall No.4, 'A' Wing, 5th Floor, MCCIA Trade Tower, ICC Complex, Senapati Bapat Road, Pune-411016.

Member's / Proxy's Signature \_\_\_\_\_

Member's / Proxy's Full Name \_\_\_\_\_  
(in block capitals)

DP-ID / Folio No. : \_\_\_\_\_

No. of Shares : \_\_\_\_\_



**PROXY FORM**

Registered Office : 'Beck House', Damle Path, Off Law College Road, Pune 411004

I / We \_\_\_\_\_

of \_\_\_\_\_

being a member of ELANTAS Beck India Ltd. hereby

appoint \_\_\_\_\_

of \_\_\_\_\_ or failing him / her \_\_\_\_\_

\_\_\_\_\_ of \_\_\_\_\_

as my / our proxy to vote for me / us on my / our behalf at the Fifty-fifth Annual General Meeting of the Company to be held on Tuesday, 19 April 2011 at 3.00 p.m.

Signed this..... day of ..... 2011 Signature .....

Affix  
Re. 1  
Revenue  
Stamp

DP-ID / Folio No. : \_\_\_\_\_