



KITPLY INDUSTRIES LIMITED

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ANNUAL REPORT FOR THE YEAR ENDED 31ST MARCH, 2012

CHAIRMAN & MANAGING DIRECTOR

Mr. P. K. Goenka

WHOLE-TIME DIRECTOR & OFFICIATING CHIEF FINANCIAL OFFICER

Mr. Gaurav Goenka

DIRECTORS

Mr. Sujit Chakravorti

Mr. Udayan Banerjee

Mr. Sushil Kumar Sharma

COMPANY SECRETARY

Mrs. Shabnum Zaman

AUDITORS

S. R. Batliboi & Co
Chartered Accountants
22, Camac Street
3rd Floor, Block C
Kolkata-700 016

REGISTRARS & SHARE TRANSFER AGENTS

M/S MCS LTD.
12/1/5 Monoharpukur Road
Kolkata-700 026

BANKERS

Axis Bank Ltd

Kotak Mahindra Bank Ltd.

REGISTERED OFFICE

Makum Pathar, A. T. Road
Margherita-786 181
Assam

PLANTS

Unit No. 1

At A.T.Road
Margherita-786 181
Assam

Unit No. 2

At Thana Road
Margherita-786 181
Assam

Unit No. 3

At Shahabad Road
Rampur- 244901
Uttar Pradesh

Unit No. 4

At Igatpuri
Nasik-422 403
Maharashtra

Unit No. 5

At Gondia-441 614
Maharashtra

Unit No. 6

At Long Island-744 102
Andaman

AGRO FORESTRY DIVISION

Raipur & Durg in Chhattisgarh

CORPORATE OFFICE:

“White House”, Block- A, 4th Floor, 119, Park Street, Kolkata-700 016

Phone: 033-2229-3340/42/43/44 **Fax:** 033-2249-5009

Website: www.kitply.com **E-mail:** corporate@kitply.com

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty-Ninth Annual General Meeting of the Members of Kitply Industries Limited will be held on Friday, the 21st day of September, 2012 at 10 a.m. at the Registered Office of the Company at Makum Pathar, A.T. Road, Margherita - 786 181 (Assam) to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the audited Balance Sheet as at March 31, 2012, the Profit & Loss Account for the year ended on that date and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Udayan Banerjee, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration and to pass the following resolution thereof:

“Resolved that M/s. S. R. Batliboi & Co., Chartered Accountants, be and are hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting on such remuneration as may be decided by the Board of Directors in consultation with the Auditors.”

SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modification, the following resolution which will be proposed as an Ordinary Resolution:-

4. “Resolved that Mr. Sushil Kumar Sharma, who was appointed as an Additional Director by the Board under Section 260 of the Companies Act, 1956 and Article 94 of the Articles of Association of the Company and who holds office only upto the date of this Annual General Meeting and in respect of whom the Company has received Notice in writing under Section 257 of the Companies Act, 1956 from a member signifying his intention to propose him as a candidate for the office of a Director of the Company, be and is hereby appointed a Director of the Company.”

By Order of the Board



(S. ZAMAN)

Company Secretary

Registered Office :

Makum Pathar, A.T. Road,
Margherita-786 181, Assam

Dated : May 30, 2012

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. Proxies in order to be effective, must be received by the Company, duly filled, stamped and signed, at its Registered Office or at its Administrative Office not less than 48 hours before the Meeting.
3. The relevant Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the Special Business in the Notice is annexed hereto. Profile of the Directors seeking appointment/re-appointment, as required in terms of the Listing Agreement entered into with the Stock Exchanges, are furnished below.
4. Corporate Members intending to send their authorized representatives to attend the Annual General Meeting are requested to send a duly certified copy of their Board Resolution authorizing their representatives to attend and vote at the 29th Annual General Meeting.
5. Members/Proxies/Representatives should bring the enclosed Attendance slip, duly filled in, for attending the Meeting.
6. The Register of Members and Share Transfer Books of the Company shall remain closed from Thursday, September 13, 2012 to Friday, September 21, 2012, both days inclusive.
7. Members holding shares in the Dematerialized and Physical mode are requested to intimate all changes pertaining to their Bank details, ECS, mandates, nominations, power of attorney, change of address, etc. to the Company's **Registrars and Share Transfer Agents - M/s. MCS Limited, 12/1/5, Monoharpukur Road, Kolkata - 700 026, West Bengal** respectively. Changes intimated to the depository participant will then be automatically reflected in the Company's records which will help the Company and its Registrar and Transfer Agents to provide efficient and better service to the Members. Shareholders are hereby intimated that under instructions from the Securities and Exchange Board of India, furnishing of bank particulars by the shareholders has become mandatory.
8. Members who hold shares in physical form in multiple folios in identical names or joint accounts in the same order of names are requested to send the share certificates to the Company's Registrar and Transfer Agents for consolidation into a single folio.

9. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company/Registrars and Share Transfer Agents, M/s. MCS Limited.
10. As per the green initiative taken by the Ministry of Corporate Affairs, the shareholders are advised to register their-email address with the RTA, M/s. MCS Ltd in respect of shares held in physical form and with the concerned Depository Participant in respect of shares held in Demat form to enable the Company to serve documents in electronic form.
11. All documents referred to in the accompanying Notice is open for inspection at the Registered Office of the Company on all working days, except Saturdays, between 11 a.m. and 1 p.m. upto the date of the 29th Annual General Meeting.

Explanatory Statement

As required by Section 173 (2) of the Companies Act, 1956, in respect of the items of Special Business mentioned in the Notice.

Item No. 4

Mr. Sushil Kumar Sharma, was appointed as an Additional Director of the Company by the Board of Directors with effect from May 16, 2012. In accordance with the provisions of Section 260 of the Companies Act, 1956 and Article 94 of the Articles of Association, Mr. Sushil Kumar Sharma shall hold office up to the date of this Annual General Meeting. The Company has received Notice from a Member in writing under Section 257 of the Companies Act, 1956 separately signifying his intention to propose the appointment of Mr. Sushil Kumar Sharma as the Director at this Annual General Meeting.

The Board of Directors are confident that his vast knowledge and experience in the plywood business will be of great value to the Company and hence recommends the Resolution No. 4 for your approval.

None of the Directors of the Company, other than Mr. Sushil Kumar Sharma is interested in the said Resolution.

By Order of the Board

Registered Office :
 Makum Pathar, A.T. Road,
 Margherita-786 181, Assam
 Dated : May 30, 2012


 (S. ZAMAN)
 Company Secretary

Details of Directors Retiring by Rotation and Seeking Re-Appointment

(In Pursuance of Clause 49 of the Listing Agreement)

| Particulars | Date of Birth | Date of Appointment | Qualifications | No. of Equity Shares held | Expertise in specific functional areas | Chairman/Director of other Companies (excluding foreign Companies) | Chairman/Member of Committees of the Boards of Companies of which he is Director (excluding private and foreign Companies) |
|-------------------------|---------------|---------------------|----------------------|---------------------------|--|--|--|
| Mr. Udayan Banerjee | 01.06.1935 | 29.06.2004 | M.Sc, PG in forestry | Nil | Agro-forestry | <ul style="list-style-type: none"> Tower Infotech Ltd. Timber and Natural Extract Ltd. | Nil |
| Mr. Sushil Kumar Sharma | 01.01.1952 | 16.05.2012 | B.Com | Nil | Accounts & Finance | <ul style="list-style-type: none"> Dhanani International Ltd. | Nil |

DIRECTORS' REPORT

To the Members of
Kitply Industries Limited

Your Directors have pleasure in presenting the 29th Annual Report and the Audited Accounts for the financial year ended March 31, 2012.

FINANCIAL RESULTS

| | Year ended 31st March, 2012 | Year ended 31st March, 2011 |
|--|--------------------------------|--------------------------------|
| | | (` in lacs) |
| Turnover during the year | 7672.16 | 8590.63 |
| Loss Before Depreciation, Interest and Taxation | (-)2143.94 | (-)1040.73 |
| Add: Depreciation & Amortisation Expenses | (-)113.30 | (-)143.44 |
| Add: Finance Cost | (-)565.17 | (-)877.45 |
| Loss Before Taxation & Exceptional Items | (-)2822.41 | (-)2061.62 |
| Add/Less : Exceptional Items | | |
| Expenses | (-)7597.34 | (-)4538.22 |
| Income | - | 75.66 |
| Loss for the year | (-)10419.75 | (-)6524.18 |
| Earning Per Share | (30.54) | (19.12) |

DIVIDEND

In view of the losses, your Directors are unable to recommend any dividend for the financial year ended March 31, 2012.

REVIEW OF OPERATIONS

During the year under review, operations deteriorated further compared to last year as it continued to suffer from inadequate working capital, preventing the optimum capacity utilization in the plywood division. Your Company, has recorded a turnover of ` 7672.16 lacs in comparison to that of ` 8590.63 lacs in the previous year ended March 31, 2011. The loss after taxation & exceptional items increased to ` 10419.75 lacs as against ` 6524.18 lacs in the preceding year mainly due to more trading activities and reduced manufacturing attributable to extreme paucity of working capital and also due to an exceptional depletion in the value of agro forestry owing to a severe pest attack resulting in impairment loss of ` 7597.34 as per the valuation report submitted by an external valuer.

The Company has made a reference to the Hon'ble Board

for Industrial and Financial Reconstruction (BIFR) pursuant to provisions of Sick Industrial Companies (Special Provisions) Act, 1985 and the Company has since been registered u/s 15(1) of Sick Industrial Companies (Special Provisions) Act, 1985.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis Report, forming part of the Directors' Report for the year under review, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, is discussed in a separate section of this Annual Report.

DIRECTORS

Mr. Sushil Kumar Sharma was appointed by the Board as an Additional Non-Executive Director of your Company with effect from May 16, 2012.

Notice have been received from Member of the Company under Section 257 of the Companies Act, 1956 for the appointment of Mr. Sushil Kumar Sharma as Director. Appropriate resolution seeking your approval for his appointment is appearing in the Notice Convening the ensuing Annual General Meeting of the Company.

Mr. Mahesh Shah, Director of the Company resigned from the Board on May 8, 2012. The Board places on record its deep appreciation of the valuable services rendered during his tenure as a Director of the Company.

Pursuant to Article 107 of the Articles of Association of the Company, Mr. Udayan Banerjee retires by rotation and being eligible, offers himself for re-appointment. The Board has recommended his re-election.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, based on the representation received from the operating management, with respect to the Balance Sheet of the Company as at March 31, 2012 and the Profit & Loss Account for the year ended on that date (hereinafter collectively referred to as the 'Annual Accounts') your Directors confirm that –

- (i) in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed;
- (ii) appropriate accounting policies have been selected and applied consistently and judgments and estimates are made prudently and reasonably so as to give a true and fair view of the state of affairs of the Company and of the loss of the Company;

(iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the aforesaid Act, for safeguarding the Assets of the Company and for preventing and detecting fraud and other irregularities; and

(iv) the Annual Accounts have been prepared on a 'going concern' basis.

AUDITOR'S OBSERVATION

Observations of the Auditors, read together with the relevant Notes to the Accounts and Accounting Policies, are self-explanatory, as such, no further clarifications/explanations are required.

AUDITORS

M/s. S. R. Batliboi & Co. Chartered Accountants, Statutory Auditors of the Company shall retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. Accordingly, it is proposed to re-appoint them as Statutory Auditors of the Company to hold office until conclusion of the next Annual General Meeting. The retiring auditors have, under section 224(1B) of the Companies Act, 1956, furnished certificate of their eligibility for the re-appointment.

The operations of the Company do not require audit of cost accounts, in terms of the provisions of the Companies Act, 1956 read with the Rules made thereunder.

CORPORATE GOVERNANCE REPORT

Pursuant to Clause 49 of the Listing Agreement, a separate section on Corporate Governance forming part of the Directors' Report and the Certificate from **the Company's Auditors** confirming compliance of Corporate Governance norms are included in the Annual Report.

LISTING WITH STOCK EXCHANGES

Your Company continues to remain listed with National Stock Exchange of India Limited and the Gauhati Stock Exchange Limited and listing fee for the current financial year to both

these exchanges has been paid by the Company.

FIXED DEPOSITS

Your Company has not accepted any fixed deposits during the year under review.

DISCLOSURES

1. None of the employees of the Company were in receipt of remuneration during the year ended March 31, 2012 in respect of whom particulars are required to be furnished under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended.
2. Information as prescribed under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, as amended, is annexed hereto and forms part of this report.

ACKNOWLEDGEMENT

Your Directors wish to convey their gratitude and appreciation to all employees and business associates for their valuable contribution during the year. Your Directors also wish to thank the members, investors, bankers, government authorities, dealers, suppliers for their co-operation and support.

For and on behalf of the
Board of Directors



Place : Kolkata
Date : May 30, 2012

(P. K. Goenka)
Chairman & Managing Director

INFORMATION PURSUANT TO THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

FORM A - FOR PLWOOD UNIT

The Company has already taken and implemented energy conservation measures whenever possible and there are no major areas where further energy conservation measures can be taken. However, efforts to conserve and optimize the use of energy through improved operational methods and other means will continue.

FORM - B

A. FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT OF ABSORPTION OF TECHNOLOGY, RESEARCH AND DEVELOPMENT (R&D).

Research and Development (R & D)

1. Specific areas in which R & D carried out by the Company.
The R&D efforts of the Company are directed towards quality control, improvement/ up gradation of existing products and development of new products.
2. Benefits derived as a result of the above R & D.
Improvement in product quality, cost effectiveness and development of new value added products

| | | |
|---|------------------|------------------|
| 3. Expenditure on R&D | 2011-2012 | 2010-2011 |
| (a) Capital | - | - |
| (b) Recurring | - | - |
| (c) Total | - | - |
| (d) Total R&D expenditure as a percentage of total Turnover | - | - |

Technology absorption, adaptation and innovation

1. The Company has introduced slicing process, which has significantly increased the face yield of raw materials.
2. The introduction of slicing process has helped the Company to utilize non-peelable logs resulting in quantitative saving and also adding decorative texture in the products.
3. The Company has not imported any technology during the last five years and there is no technical collaboration with any party.

B. FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars of Foreign Exchange earned/ utilized during the year have been given under the Notes to Accounts in Note No. 42.

For and on behalf of the Board of Directors



**Place : Kolkata
Date : May 30, 2012**

**(P. K. Goenka)
Chairman & Managing Director**

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE AND THE DEVELOPMENTS

With the ongoing macroeconomic concerns, free fall of the rupee, and sliding growth rate, Indian economy is finding it tough to tide over the crisis. India's GDP fell to a two year low of 6.9 percent in the second quarter of FY 2011-12, slipping below 8% for the third straight quarter. The economy witnessed a growth of 8.4 % during the corresponding quarter of last year. Simultaneously, in the last two months, the rupee suffered its worst decline against the US dollar in 16 years. The rupee has gone from a high of ₹ 50.70 to the dollar to a historic high of ₹ 56.40, impacting imports of timber. The current 10% rise in import costs of logs, due to weakening of the rupee is also hard for the industry to absorb.

Alternative timbers such as Meranti, Kapur, Merbau, and Balau are in demand as pricing for these species are more favorable at present. Indian importers have now widened the range of species they are importing to include hardwoods from Latin America like ipe, camaru, greenheart and purpleheart for use in the manufacture of flooring and furniture.

Analysts feel that the slowdown in the global markets will dent India's growth figures for a while in the real estate sector. The focus of domestic manufacturers will shift from consumer demand in mega cities such as Mumbai and New Delhi to other emerging cities in the country. In the current environment, government investment in rural development projects holds a better promise for industry than the weakening demand in the traditional urban domestic markets.

Today the timber industry has to look at affordable home segment which was not the given choice during the real estate boom. Housing demand from middle and lower income groups will probably be the driving factor for the manufacturing industry from 2012 onwards.

FUTURE OUTLOOK, OPPORTUNITIES & THREATS

Wood and wood based industry play a vital role in fueling the growth of the Indian economy. This industry has true potential to grow manifolds from the existing levels and is poised for a sustainable growth annually. The last decade has seen India become the manufacturing hub for the global markets. The wood, plywood and allied product industry are one of the key sectors having immense potential as India is one of the major wood users in the Asia Pacific region. The Asia Pacific region has over 4500 varieties of wood-yielding species and has some of the best known and most highly prized tropical hardwood

The Indian plywood industry is pegged at ₹ 9,000 crore, growing at 10%-20% per annum. Approximately 600 units

are currently functioning all over the country. There is tremendous growth potential as the players are yet to penetrate majority of the international market. The Company is expecting to improve its performance and maintain its market standing in the plywood business by leveraging its strong brand.

At present, the Indian wood and furniture sector is predominantly in the hands of unorganized small units. Fortunately, large corporate houses have started taking interest in production of modern furniture. The furniture vertical is the second largest wood processing segment after timber and logs, making India a fast emerging market for high end, value added imported products. The branded higher quality wooden furniture industry is growing at 15% annually, while the manufacture of pre fabricated doors and windows is relatively new and is growing at 10% per annum.

The Company will continue its focus on (a) high-capacity utilization (b) improving efficiencies levels in raw material sourcing, production and distribution (c) improving the product mix (d) upgradation of products (e) cost rationalisation (f) improving service levels to dealers and customers, and (g) further leveraging on its strong brand recall and competitive edge.

But the industry still has a grouse - that the government has not given it any support or preference, despite it being an alternative to precious forest wood in the field of research and development. Competition from both unorganised and other organised players has led to difficulties in improving market share. Moreover the industry is facing a raw material shortage of 30-50% and stringent pollution norms, which may be a big threat in future.

RISK AND CONCERNS

Periodically risks assessment exercises are being carried out by the Management to take proper steps for minimizing the various risks involved in this business segment. For the better management of working capital the Company follows a credit policy which factors the credentials of dealers/customers and market conditions.

Wherever necessary and possible, insurance cover is taken for risk mitigation. The Management does not perceive any major technological or environmental risk to the Company in the near future except for risks emanating from working capital shortage. There is severe working capital constraint in the organization and the Management is exploring options for infusing/raising working capital. The Company continues

to follow a suitable strategy to modify its risk profile by eliminating and significantly reducing key business risks.

The company is exposed to the risk of scarcity and price fluctuation on raw-material in all its products. The company proactively manages these risks in inputs through better inventory management, vendor development and relationship. The company mitigates the impact of price risk on its product with its strong reputation for quality, product differentiation and service to customers with better marketing network.

SEGMENTS WISE PERFORMANCE

The Company mainly operates in the plywood manufacturing business.

The Company also has an agro-forestry division wherein it carries out managed plantation activity in a large ongoing agro forestry project covering an area of 1326 acres in the districts of Durg and Raipur in Chhattisgarh. There has been a pest attack on a large number of trees at various sites of the Company's Agro Forestry which has caused significant damage to the timber plantation. Assessment for impairment to the plantations on account of above pest attack by an external valuer has been completed. Based on such assessment, impairment loss amounting to ` 7597.34 lacs has been provided for in the books of account.

Harvesting of the plantations should be done immediately as suggested by the valuer.

INTERNAL CONTROL SYSTEM AND ADEQUACY

The Company's internal control system has been designed to provide for :

- Accurate recording of transactions with internal checks and prompt reporting.
- Adhere to Applicable Accounting standards and Policies.
- Review of capital investments and long term business plans.
- Periodic review meetings to manage effective implementation of system.
- Compliance with applicable statutes, policies, listing requirements and operating guidelines of the company.
- Effective use of resources and safeguarding of assets

- IT systems with in built controls to facilitate all of the above.
- All assets are safeguarded and protected against loss from unauthorized use or disposition, and that the transactions are authorized, recorded and reported correctly.

The Company has a budgetary control system and actual performance is reviewed with reference to budget by the management from time to time. The Company has a well-defined organization structure, authority levels and internal guidelines and rules for conducting business transactions.

The Audit Committee members review the Internal Audit Report quarterly and key observations are discussed for implementation and correction.

FINANCIAL PERFORMANCE

During the Financial Year ended March 31, 2012, the Company achieved Sales of ` 7672.16 lacs as against ` 8590.63 lacs for the previous year ended March 31, 2011. The loss for the year was ` 10419.75 lacs as against ` 6524.18 lacs in the previous year.

MATERIAL DEVELOPMENT IN HUMAN RESOURCE/ INDUSTRIAL RELATION

The Company is committed to human resource management & development as the employees are one of the most important stakeholders of the Company. The Human Resource Department is managed by qualified professionals and there is a continuing endeavor to improve the knowledge, skills and attitude of employees. Moreover, the Company also continues to focus on the safety, training and development of employees. Industrial Relations remained harmonious and cordial during the period.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis, describing the Company's objectives, outlook and expectations, may constitute "forward-looking statements" within the meaning of applicable laws and regulations. Actual results may differ materially from those expressed or implied. Several factors make a significant difference to the Company's operations, including climatic conditions, economic scenario affecting demand and supply, Government regulations, taxation, natural calamity and such other factors over which the Company does not have any direct control.

ANNEXURE TO THE DIRECTORS' REPORT CORPORATE GOVERNANCE REPORT FOR THE YEAR 2011-12

(As required under Clause 49 of the Listing Agreements entered into with the Stock Exchanges)

I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE :

The Company constantly endeavors to ensure adoption of best Corporate Practices and the accountability of persons-in-charge of the Company's operations and is therefore committed to good Corporate Governance which is a key to sustainable industrial growth and long term value creation and trust.

The Company believes in the principles of transparency, fairness and accountability in its dealings thereby maintaining high standards of business ethics. This report mirrors the various obligations as required to be fulfilled by the company as per the listing agreement with the stock exchanges.

II. BOARD OF DIRECTORS :

i) Composition :

As on March 31, 2012, the Board comprises of five Directors including one Executive Chairman and Managing Director, one Whole-time Director and three Non-Executives & Independent Directors which is in conformity with the requirement of Clause 49 of the Listing Agreement with the Stock Exchanges. None of the Directors on the Board is a member of more than 10 committees and Chairman of more than 5 committees in any Company [as per Clause 49(1)(c)(ii)] across all the Companies in which he is a Director. All the Directors have made the requisite disclosures regarding Committee positions held by them in other Companies.

The Independent Directors are professionals with high credentials who actively contribute to the decision making and strategic management aspects of the Board.

The Composition of the Board, category of Directors and their attendance at the Board Meetings (BMs) during the year and at last Annual General Meeting (AGM), as also the number of Directorships /Memberships/Chairmanships in Indian Public Companies are given below :-

| Name of the Directors | Category | Attendance Particulars at the | | No. of Directorships in other public limited Companies | No. of Committee positions held in other public limited Companies* | |
|------------------------------------|-----------------------------|-------------------------------|---------------------|--|--|---------|
| | | BM | Last AGM (26.08.11) | | Chair-man | Mem-ber |
| Mr. P. K. Goenka (CMD) | Executive & Non-Independent | 5 | No | 2 | - | - |
| Mr. Gaurav Goenka (WTD) | Executive & Non-Independent | 5 | No | 1 | - | - |
| Mr. Sujit Chakravorti | Non-Executive & Independent | 5 | Yes | 4 | 2 | 3 |
| Mr. Udayan Banerjee | Non-Executive & Independent | 5 | No | 2 | - | - |
| Mr. Mahesh Shah | Non-Executive & Independent | 3 | No | 3 | - | - |
| Mr. Rajnikant C. Dani ¹ | Non Executive & Independent | - | No | - | - | - |

* Represents Chairmanships/Memberships of Audit Committee, Shareholders'/Investors' Grievance Committee and Remuneration Committee.

1. Ceased to be the Directors w.e.f April 9, 2011

ii) Board Meetings held during the year :

The Board of Directors met five times during the financial year ended March 31, 2012 on the following dates:

May 30, 2011, August 12, 2011, November 14, 2011, February 01, 2012 and February 13, 2012.

The gap between any two meetings did not exceed four months in compliance with the requirement of listing agreement.

The Company placed before the board the Annual Budget, performance level of various units and other informations on regular basis as specified in Annexure 1 of the Listing Agreement with the Stock Exchanges.

Mr. Udayan Banerjee is liable to retire by rotation and being eligible, offered himself for re-appointment. Information as required under Clause 49(VI) of the Listing Agreement is appended to the Notice for the 29th Annual General Meeting.

iii) Code of conduct for Directors & Senior Management :

The Board has framed a code of conduct for all Board members and senior management personnel of the Company focusing transparency, accountability and ethical expression in all acts and deeds. A certificate of affirmation in this regard is appended.

iv) CEO & CFO Certification :

A certificate as obtained from CEO & CFO of the Company for due compliance under Clause 49(V) of the Listing Agreement is appended herewith.

III) AUDIT COMMITTEE (AC) :

The Company has an Independent Audit Committee. The composition, role / functions of the committee comply with the requirements of Section 292A of the Companies Act, 1956 and Clause 49 (II)(A) of the Listing Agreement. The Committee comprises of experts specializing in accounting/financial management. The Chairman of the Audit Committee is an Independent Director.

i) The Terms of Reference are briefly enumerated hereunder :

- a) Overseeing the Company's financial reporting process and the disclosure of its financial information, to ensure that the financial statements are correct, sufficient and credible .
- b) Recommending the appointment / removal of external auditors, fixing audit fees and approving payments for any other services.
- c) Reviewing with management the periodic financial statements before submission to the Board, focusing primarily on :
 - Any changes in accounting policies and practices;
 - Major accounting entries based on exercise of judgment by management;
 - Qualifications in draft audit report;
 - Significant adjustments arising out of audit;
 - The going concern assumption;
 - Compliance with accounting standards;
 - Compliance with stock exchange and legal requirements concerning financial statements;
 - Any related party transaction i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have a potential conflict with the interests of the Company at large;
- d) Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- e) Reviewing the adequacy of internal audit function.
- f) Discuss with internal auditor any significant findings and follow-up thereon.
- g) Discussing with external auditors before the audit committees, the nature and scope of audit as well as conduct post-audit discussions to ascertain any area of concern.
- h) Reviewing the Company's financial and risk management policies.

ii) Constitution & Re-constitution of the Audit Committee and their attendance at the meetings :

| Name of Members | Category | No. of Meetings | |
|------------------------------------|-----------------------------|-----------------|----------|
| | | Held | Attended |
| Mr. Sujit Chakravorti (Chairman) | Non-Executive & Independent | 4 | 4 |
| Mr. Udayan Banerjee | Non-Executive & Independent | 4 | 4 |
| Mr. Mahesh Shah | Non-Executive & Independent | 4 | 3 |
| Mr. Rajnikant C. Dani ¹ | Non-Executive & Independent | - | - |

1. Ceased to be a member w.e.f April 09, 2011

The Audit Committee was re-constituted once during the year on May 30, 2011, wherein Mr. Rajnikant C Dani ceased to be member of the Committee.

iii) Meetings of the Committee :

The Committee met 4 times on **May 30, 2011, August 12, 2011, November 14, 2011 and February 13, 2012** during the financial year ended March 31, 2012

The Minutes of the Meetings of the Audit Committee are discussed and taken note by the board of directors.

The Statutory Auditor, Internal Auditor and Executive Directors/Chief Financial Officer are invited to the meeting as and when required. The Company Secretary acts as the Secretary of the Audit Committee. The Chairman of the Audit Committee attended the last Annual General Meeting as held on August 26, 2011.

IV) REMUNERATION COMMITTEE (RC)
i) Constitution & Re-constitution of the Remuneration Committee and their attendance at the meetings :

The Remuneration Committee comprises of the following Directors as members :

| Name of Members | Category | No. of Meetings | |
|------------------------------------|-----------------------------|-----------------|----------|
| | | Held | Attended |
| Mr. Sujit Chakravorti (Chairman) | Non-Executive & Independent | - | - |
| Mr. Udayan Banerjee | Non-Executive & Independent | - | - |
| Mr. Mahesh Shah ¹ | Non-Executive & Independent | - | - |
| Mr. Rajnikant C. Dani ² | Non-Executive & Independent | - | - |

1. Became a member w.e.f. May 30, 2011

2. Ceased to be a member w.e.f. April 09, 2011

The Remuneration Committee was reconstituted once during the year on May 30, 2011 to give effect to the cessation of Mr. Rajnikant C Dani from the membership of the committee and co-option of Mr. Mahesh Shah as a member of the committee.

ii) Meetings held during the year :

No meetings were held during the financial year ended on March 31, 2012.

iii) Terms of Reference :

The broad terms of reference of the Remuneration Committee are enumerated hereunder :

- To recommend to the Board, salary (including annual increments), perquisites and commission to be paid to the Company's Managing/Whole-time Directors (MD/WTDs).
- To finalize the perquisites package within the overall ceiling fixed by the Board.
- To recommend to the Board appointment/re-appointment of Managing/Whole-time Director, retirement benefits to be paid to the MD and WTDs under the Retirement Benefit Guidelines adopted by the Board.
- The Committee also decides the Remuneration Package of the senior management members by emphasizing on the current employment scenario and remuneration package of the industry.

iv) Remuneration Policy :

While considering and approving the remuneration, the Committee takes into account the following considerations :

- a) Financial position of the Company;
- b) Present trends in the industry;
- c) Qualification, experience and past performance of the appointee.

The Committee also takes into consideration and ensures the compliance of the provisions under Schedule XIII of the Companies Act, 1956 for appointing and fixing remuneration of Managing Directors and other Whole-time Directors.

The Non-Executive Directors do not receive any remuneration from the Company except for the Sitting fees for attending the board meetings/committee meetings within the permissible limits as prescribed under law.

v) Remuneration to Directors :

The details of remuneration paid to directors in respect of the financial year under review are furnished hereunder :

(Amount in `)

| Category | Name of the Directors | Sitting Fees | Basic Salary & Perquisites | Employers Contribution to PF | Total |
|-------------------------|-----------------------|--------------|----------------------------|------------------------------|------------------|
| Executive Directors | Mr. P. K. Goenka | NA | 15,00,000 | 1,80,000 | 16,80,000 |
| | Mr. Gaurav Goenka | NA | 5,82,000 | 69,840 | 6,51,840 |
| Non-Executive Directors | Mr. Sujit Chakravorti | 15,000 | - | - | 15,000 |
| | Mr. Udayan Banerjee | 13,500 | - | - | 13,500 |
| | Mr. Mahesh Shah | 9,000 | - | - | 9,000 |
| | Mr. Rajnikant C Dani | - | - | - | - |
| Total | | | | | 23,69,340 |

V) SHAREHOLDERS' GRIEVANCE COMMITTEE (SGC) :
i) Constitution of Shareholders' Grievance Committee and their attendance at the meetings :

The composition, number of meeting of the above Committee and the attendance of Directors during the year under review were as follows :

| Name of Members | Designation | Category | No. of Meetings | |
|-----------------------|-------------|-----------------------------|-----------------|----------|
| | | | Held | Attended |
| Mr. Udayan Banerjee | Chairman | Non-Executive & Independent | 2 | 2 |
| Mr. Sujit Chakravorti | Member | Non-Executive & Independent | 2 | 2 |
| Mr. Gaurav Goenka | Member | Executive & Non-Independent | 2 | 2 |

ii) Meetings held during the year :

The Investors' Grievance Committee members met twice during the year under review on **July 28, 2011** and **January 28, 2012**

iii) Terms of Reference :

The Company has formed an Investors' Grievance Committee with the following terms of reference :

- a) To investigate into other investor's complaints and take necessary steps for redressal of same.
- b) To deal with various shareholder's queries like non-receipt of annual reports, share certificates duly transferred, dividend payments, issue of duplicate certificates, transmission (with and without legal representation) of shares and other miscellaneous complaints.
- c) To oversee the performance of M/s. MCS Limited, the Registrars and Share Transfer Agents of the Company and recommend measures to improve the level of investor related services.

- d) All the share transfer/transmission cases approved by the Registrars are reported to the Committee. The Committee also keeps a close watch on disposal status of all complaints/grievances of shareholders.

iv) **Compliance Officer of the Company in terms of Clause 47(a) of the Listing Agreement :**

| | |
|--|--|
| Name, designation and address : | Mrs. Shabnum Zaman, Company Secretary "White House", 4th Floor, A-Block, 119, Park Street, Kolkata - 700 016 Phone: (033) 2229-3340/42/43/44 Fax No. (033) 2249-5009, e-mail : shabnum@kitply.com |
|--|--|

v) **Details of complaints received during the year :**

9 members' complaints/queries were received during the year under review and all were duly replied/resolved and none of the grievances and no share transfers were pending as on March 31, 2012. There were also no investors complaint pending against the Company as on March 31, 2012 on SCORES, the web based complaint redressal system of SEBI.

vi) **E-mail ID earmarked for redressing investors queries in terms of Clause 47 (f) of the Listing Agreement : investors@kitply.com**

vii) **Complaints Disposal System :**

The Company and MCS Ltd., (Registrar & Share Transfer Agent) attend to all grievances of the investors received directly or through SEBI, Stock Exchanges, Ministry of Corporate Affairs, Registrar of Companies, etc. Barring certain cases pending in Courts/Consumer Forums, relating to disputes over the title to shares, in which either the Company has been made a party or necessary intimation thereof has been received by the Company, all the investor grievances/correspondence have been promptly attended to from the date of their receipt. Continuous efforts are made to ensure that grievances are more expeditiously redressed to the complete satisfaction of the investors.

VI. SHARE TRANSFER COMMITTEE (STC) :

Mr. P. K. Goenka and Mr. Gaurav Goenka are the members of the Share Transfer Committee as on March 31, 2012.

The STC notes and take on record the transfer/transmission/transposition of shares and consolidation/splitting of folios, issue of share certificate on exchange for subdivision, consolidation, defaced etc., as approved by the authorized officers of the Company. The STC Meetings are held as and when required, usually fortnightly.

During the year 24 meetings of the Share Transfer Committee were held under review.

VII. GENERAL BODY MEETINGS :

a) **Details of venue, date and time of the General Meetings held during the last three Financial Years are briefed hereunder :**

| Year | AGM/EGM | Venue | Day | Date & Time |
|--------------------------|---------|---|-----------|-------------------------|
| 2007-2009 (18 months) | AGM | Rungagora Road, Tinsukia - 786125, Assam | Monday | 29.06.2009 at 9.00 am. |
| 2009-2010 | AGM | Makum Pathar, A.T. Road Margherita - 786181, Assam | Wednesday | 15.09.2010 at 10.00 am. |
| 2010-2011 | AGM | Makum Pathar, A.T. Road Margherita - 786181, Assam | Friday | 26.08.2011 at 10.00 am. |

b) No special resolutions were passed during the last three AGMs.

c) No special resolution was passed through Postal Ballot during the financial year 2011-2012. None of the businesses proposed to be transacted in the ensuing Annual General Meeting require passing a special resolution through Postal Ballot.

VIII. OTHER DISCLOSURES :

- a) Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the Directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.
None of the transactions with any of the related parties were in conflict with the interests of the Company at large.
- b) All pecuniary transactions of Independent Directors with the Company, its promoters, are covered in Note No. 29 to the Balance Sheet which in the judgement of the Board, do not affect independence of the Director.
- c) With regard to matters related to capital markets, the Company has complied with all requirements of the Listing Agreement entered into with the Stock Exchanges as well as SEBI Regulations and Guidelines. No penalties were imposed or strictures passed against the Company by the Stock Exchanges, SEBI or any other statutory authority during the last three years in this regard.
- d) The Company does not have a formal Whistle blower policy. However, no person has been denied access to the Audit Committee.
- e) The Company has a Remuneration Committee (non-mandatory) and has complied with all the mandatory requirements of Clause 49 of the Listing Agreement.

IX. MEANS OF COMMUNICATION:

| | | |
|-----|--|--|
| (a) | Whether half-yearly report sent to each household of shareholders | No |
| (b) | Quarterly Results : | |
| | (i) Which newspapers normally published in : | The Financial Express and Aaji, (Assamees) |
| | (ii) Any Website displayed : | Yes : www.kitply.com |
| (c) | Whether Website also displays official news releases | No. |
| (d) | Whether presentations made to institutional investors or to the analysts | No. |
| (e) | Whether MD&A is a part of Annual Report or not | Yes |

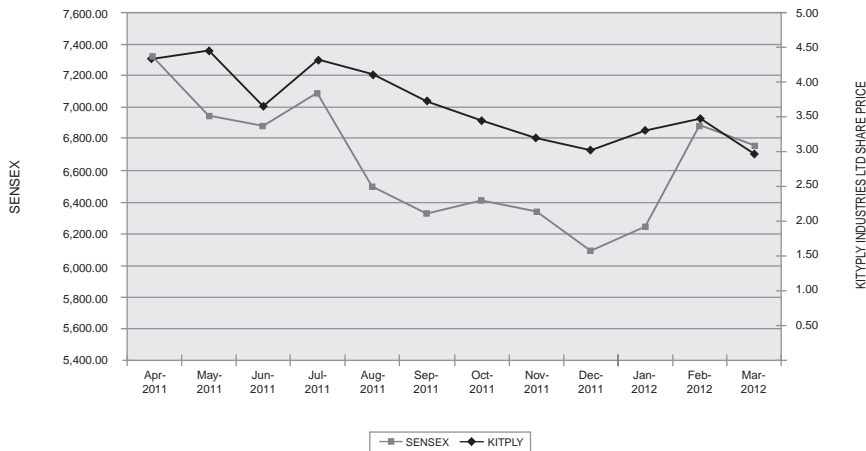
X. GENERAL SHAREHOLDER INFORMATION

| | | |
|------------|---|---|
| (a) | 29th Annual General Meeting : | Date : September 21, 2012 Time : 10.00 A.M. Venue : Registered Office : Makum Pathar, A.T. Road, Margherita - 786181, Assa |
| (b) | Financial Calendar | |
| | The Financial Results for the year 2012-13 will be announced as per the following tentative schedule: | |
| | FINANCIAL REPORTING | DUE DATE |
| | For the quarter ending June 30, 2012 | On or before Mid August, 2012 |
| | For the quarter ending September 30, 2012 | On or before Mid November, 2012 |
| | For the quarter ending December 31, 2012 | On or before Mid February, 2013 |
| | For the year ending March 31, 2013 | On or before the end of May, 2013 |
| | Annual General Meeting for the year ending March 31, 2013 | Last week of September, 2013 |

| | | | |
|--|---|--------------------------|--------------------|
| (c) Book closure period | From September 13, 2012 to September 21, 2012 (both days inclusive) | | |
| (d) Dividend Payment Date | In the absence of any distributable profits, the Directors have not recommended any Dividend on equity shares for the year under review. | | |
| <p>(e) Listing on Stock Exchanges</p> <p>The Company's securities are Listed at :</p> <p>1) The National Stock Exchange of India Ltd. "Exchange Plaza", 5th Floor, Plot No.C/1, G Block Bandra - Kurla Complex, Mumbai - 400 051</p> <p>2) The Gauhati Stock Exchange Ltd. 2nd floor, Shine Tower Sati Jay Mati Road, Ariya Chowk Reha Bari, Guwahati - 781 008</p> <p>Note : The Company has paid Listing fees to all the Stock Exchanges except Madras and Calcutta Stock Exchange where the Company's applications for delisting are pending on 31.03.2012</p> | | | |
| (f) i) Stock Code : | National Stock Exchange (NSE) - Mumbai | | |
| | KITPLYINDEQ | | |
| Physical Form | KITPLYIND-502595 | | |
| De-Mat Form | KITPLYIND-502595 | | |
| ii) International Securities Identification Number (ISIN) | INE147B01019 | | |
| (g) Custodial Fees to depositories | The annual custodial fees for the Financial year 2012-13 has been paid to National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL). | | |
| <p>(h) Stock Market Data during each month in the Financial Year 2011-12 :</p> <p>Market Price Data - Monthly high/low and Trading Volumes on National Stock Exchange depicting the liquidity of the Company's shares on the said exchange is given hereunder :</p> <p style="text-align: right;">Face value of shares of ` 10/- each</p> | | | |
| National Stock Exchange of India Limited | | | |
| Months | Month's High Price | Month's Low Price | Volume Nos. |
| April, 2011 | 4.90 | 3.75 | 3,08,821 |
| May, 2011 | 5.30 | 3.60 | 3,85,462 |
| June, 2011 | 4.25 | 3.05 | 2,48,879 |
| July, 2011 | 5.15 | 3.50 | 5,09,600 |
| August, 2011 | 5.00 | 3.20 | 2,44,040 |
| September, 2011 | 4.25 | 3.10 | 80,814 |
| October, 2011 | 3.85 | 3.05 | 1,13,426 |
| November, 2011 | 3.95 | 2.45 | 1,30,507 |
| December, 2011 | 3.50 | 2.50 | 1,32,425 |
| January, 2012 | 4.00 | 2.60 | 3,08,590 |
| February, 2012 | 3.95 | 3.00 | 2,40,676 |
| March, 2012 | 3.50 | 2.45 | 15,45,423 |

(i) The performance of the Company's scrip on the NSE as compared to the S&P CNX NIFTY Sensex

Performance of Kitply Share Price in Comparison to S & P CNX Nifty Sensex



(j) Share Holding Pattern as on 31.03.2012 :

| Name of the Shareholder | No. of Shares Held | % Holding |
|---------------------------|--------------------|---------------|
| Promoter & Promoter Group | 1,20,42,936 | 35.30 |
| FII's | 300 | 0.00 |
| NRIs and OBCs | 48,470 | 0.14 |
| Mutual Funds | 7,000 | 0.02 |
| FIs/Insurance Cos./Banks | 10,70,340 | 3.14 |
| Bodies Corporate | 31,94,241 | 9.36 |
| General Public | 1,77,51,227 | 52.04 |
| Total | 3,41,14,514 | 100.00 |

(k) Distribution of Share Holdings as on 31.03.2012 :

| Range of Ordinary Shares | No. of Shares | % to Capital | No. of Holders | % of Holders |
|--------------------------|--------------------|---------------|----------------|---------------|
| 1 to 500 | 63,58,360 | 18.64 | 43,683 | 91.37 |
| 501 to 1000 | 19,22,155 | 5.63 | 2,216 | 4.63 |
| 1001 to 10000 | 52,73,380 | 15.46 | 1,729 | 3.62 |
| Above 10000 | 2,05,60,619 | 60.27 | 178 | 0.38 |
| Total | 3,41,14,514 | 100.00 | 47,806 | 100.00 |

(l) Registrar & Share Transfer Agents :

MCS Limited
 12/1/5 Monoharpukur Road
 Kolkata - 700 026
 Phone: (033) 4072 4051/52/53
 Fax: (033) 4072 4050/54
 e-mail: mcskol@rediffmail.com

| | |
|--|--|
| <p>(m) Share Transfer System :</p> | <p>Shares lodged for transfer at the Registrar's address are normally processed within 15 days from the date of lodging, if the documents are clear in all respects. All requests for dematerialization of shares are processed and the confirmation is given to the depositories within 15 days. The board of directors has delegated the power of approving the share transfers/ transmissions etc as processed by the registrars to Share Transfer Committee. A summary of transfer/transmission of securities of the Company so approved by the Share Transfer Committee is placed at every Board Meeting and taken note of. Grievances received from Members and other miscellaneous correspondence on change of address, mandates, etc. are processed by the Registrars within 15 days.</p> <p>Pursuant to Clause 47(c) of the Listing Agreement with the Stock Exchanges, certificates on half-yearly basis, have been issued by a Company Secretary in practice for due compliance of share transfer formalities by a Company.</p> |
| <p>(n) Dematerialization of Shares & Liquidity :</p> | <p>Approximately 90.10% of the paid up Ordinary Share Capital of the Company are held in dematerialized form as on March 31, 2012 corresponding to 3,07,38,722 Equity Shares.</p> <p>Electronic holding by members comprises of 77.38% held through the National Securities Depository Limited and 12.72% held through Central Depository Securities (India) Limited.</p> |
| <p>(o) Secretarial Audit :</p> | <p>In compliance with Regulation 55A of SEBI (Depositories & Participants Regulations) 1996, a qualified Practicing Company Secretary carried out a Secretarial Audit to reconcile the total admitted capital with NSDL & CDSL and the total issued and listed capital. The audit confirms that the total issued/paid up capital is in agreement with the aggregate of the total number of shares in physical form and that in dematerialized form (held with NSDL & CDSL).</p> |
| <p>(p) Outstanding GDRs / ADRs / Warrants or any Convertible Instruments, Conversion date and likely equity</p> | <p>None</p> |
| <p>(q) Plant Locations : (A) Plywood Division :</p> <p>(B) Agro-Forestry Division :</p> | <ol style="list-style-type: none"> 1. A. T Road, Margherita, Assam. 2. Thana Road, Margherita, Assam. 3. Gondia, Maharashtra. 4. Shahabad Road, Rampur, U.P. 5. Long Island, Andaman. 6. Igatpuri, Nashik, Maharashtra (Laminate Factory) <ul style="list-style-type: none"> ● Spread over Raipur & Durg District in Chhattisgarh. |
| <p>(r) Correspondences : General Correspondences :</p> | <p>Corporate Office 'White House' Block - A 119, Park Street, Kolkata - 700 016 Tel: (033) 2229-3340/42/43/44 Fax: (033) 2249-5009 e-mail :corporate@kitply.com</p> |
| <p>Investor's Correspondences :</p> | <p>MCS Ltd. 12/1/5 Monoharpukur Road Kolkata - 700 026 Phone: (033) 4072 4051/52/53 Fax: (033) 4072 4050/54 e-mail: mcskol@rediffmail.com</p> |

CEO AND CFO CERTIFICATION

CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION.

We, Pawan Kumar Goenka, Chairman & Managing Director and Gaurav Goenka, Whole-time Director & Officiating Chief Financial Officer of Kitply Industries Ltd. to the best of our knowledge and belief, certify that:

1. We have reviewed Balance Sheet and Profit & Loss Account and all the Schedules and Notes on Accounts, as well as Cash Flow Statements and Director's Report for Financial Year ended on March 31, 2012;
2. Based on our knowledge and information, these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
3. Based on our knowledge and information, the financial statements, and other financial information included in this report, present in all material respects, a true and fair view of the company's affairs, and are in compliance with the existing accounting standards and/or applicable laws and regulations;
4. To the best of our knowledge and belief, no transactions entered into by the company during the year are fraudulent, illegal or violative of the company's code of conduct;
5. We are responsible for establishing and maintaining internal controls, 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.
6. We have disclosed based on our most recent evaluation, wherever applicable, to the company's auditors and the audit committee of the company's Board of Directors:
 - a) any deficiencies in the design or operation of internal controls, that could adversely affect the company's ability to record, process, summarize and report financial data, and any material weaknesses in the internal controls over financial reporting including any corrective actions with regard to deficiencies;
 - b) significant changes in internal controls during the year;
 - c) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - d) instances of significant fraud of which we are aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal controls system.

Place: Kolkata
Date : May 30, 2012


(P.K. Goenka)
Chairman & Managing Director


(Gaurav Goenka)
Whole-time Director & Officiating
Chief Financial Officer

Declaration regarding compliance by Board Members and Senior Management personnel with the Company's Code of Conduct.

This is to confirm that the Company has adopted a Code of Conduct for its employees including the Managing Director and Whole-time director. In addition, the Company has adopted a Code of Conduct for its Non-Executive Directors.

I confirm that the Company has in respect of the year ended March 31, 2012, received from the Senior Management Team of the Company and the Members of the Board a declaration of compliance with the Code of Conduct as applicable to them. I further confirm that the rules of Insider Trading Regulation has been duly complied with.

For the purpose of this declaration, Senior Management Team means the Chief Financial Officer, employees in the Executive Vice President cadre and the Company Secretary as on March 31, 2012. The said Code of Conduct has also been uploaded by the Company in its website www.kitply.com

Place: Kolkata
Date : May 30, 2012


(P. K. Goenka)
Chairman & Managing Director

AUDITORS' CERTIFICATE

To

The Members of Kitply Industries Limited

We have examined the compliance of conditions of corporate governance by **KITPLY INDUSTRIES LIMITED**, for the year ended 31st March, 2012, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange(s).

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the 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 explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned 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 S. R. Batliboi & Co.
Firm Registration No. : 301003E
Chartered Accountants



per R. K. Agrawal
Partner
Membership No. 16667

Kolkata, May 30, 2012

Auditors' Report

TO THE MEMBERS OF KITPLY INDUSTRIES LIMITED

1. We have audited the attached Balance Sheet of Kitply Industries Limited as at 31st March, 2012 and also the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
 2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
 3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
 4. Without qualifying our opinion, attention is drawn to the following Notes :-
 - a. As stated in Note 35, the Company's net-worth has been fully eroded and we also draw reference to paragraphs 4 (b) and 4 (c) below and the related notes in the financial statements. Taken together, these conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern, which is dependent on establishing profitable operations in line with the Company's business plans, as well as satisfactory settlement of disputes/litigation in favour of the Company. Further, the Company has made a reference to the Hon'ble Board for Industrial & Financial Reconstruction (BIFR) pursuant to the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 and it has since been permitted to be registered u/s 15(1) of Sick Industrial Companies (Special Provisions) Act, 1985. These mitigating factors have been more fully discussed in Notes 33, 34(c) and 35 to the accompanying financial statements, in view of which the accompanying financial statements have been prepared under the going concern assumption, and consequently, no adjustments, if any, have been made to the carrying values of assets and liabilities.
 - b. Note 34 (c) regarding non-provision of interest amounting to ₹ 34,090,685 (including ₹ 8,436,000 for the year) and overdue interest and liquidated damages of ₹ 17,088,575 claimed by certain lenders. The above lenders have also filed petition before the Hon'ble Guwahati High Court under the relevant provisions of the Companies Act, 1956 for the winding up of the Company due to non-payment of above dues. However, the Company has also filed a suit in the court for specific performance and pending its disposal, no liability thereof is considered payable.
 - c. Note 33 regarding non-provision of demand from a lender amounting to ₹ 321,037,000 towards principal and interest on withdrawal of One Time Settlement entered in earlier years, due to alleged non fulfillment of agreed conditions by the Company. However, the above amount, in the opinion of the management is not payable and the Company has also been legally advised that the above demand is not tenable.
5. *Attention is drawn to Note 38 regarding non provision of interest and redemption premium amounting to ₹ 100,000,000 and ₹ 268,788,913 respectively on debentures of ₹ 1,200,000,000 held by India Debt Management Private Limited, effective from 1st April, 2011 for the reasons mentioned therein. Had the above liability been considered in the accounts, loss for the year would have been ₹ 1,191,506,948 as against the reported loss of ₹ 1,041,975,342 and reserves & surplus as at the balance sheet date would have been (-) ₹ 3,799,083,644 as against the reported figure of (-) ₹ 3,430,294,731.*
6. Further to our comments in the Annexure referred to above, we report that :
- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from sales branches not visited by us;
 - iii. The balance sheet, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the balance sheet, statement of profit and loss and 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;
 - v. On the basis of the written representations received from the directors, as on 31st March, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on

31st March, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts *except for the effect of our observation stated in para (5) above*, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :


- a) in the case of balance sheet, of the state of affairs of the Company as at 31st March, 2012;
- b) in the case of statement of profit and loss, of the loss for the year ended on that date; and

- c) in the case of cash flow statement, of the cash flows for the year ended on that date.



For S. R. BATLIBOI & CO.
Firm Registration Number : 301003E
Chartered Accountants

22, Camac Street
Block 'C', 3rd Floor
Kolkata 700 016
Dated : May 30, 2012



per R. K. Agrawal
Partner
Membership No. 16667

ANNEXURE TO THE AUDITORS' REPORT

(REFERRED TO IN OUR REPORT OF EVEN DATE TO THE MEMBERS OF
 KITPLY INDUSTRIES LIMITED AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

amount of such loans during the year was ₹ 107,760,421 and the year-end balance due to such parties was ₹ 107,760,421 (including ₹ 88,000,000 not bearing interest)
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) There was no disposal of a substantial part of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on such physical verification.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clauses 4 iii (a) to (d) of the Order are not applicable to the Company.
- (b) The Company has taken loans in the form of debentures from two parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum outstanding
 - (c) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
 - (d) As per stipulations, the above loans have not become due for repayment and thus, there has been no default on the part of the company. Further, interest on the above loans, wherever applicable, was not due for payment during the year.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the company in respect of these areas.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under the above section, have been so entered.

- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) *In our opinion and according to the information and explanations given to us, directives issued by the Reserve Bank of India and the provisions of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956, and the rules framed thereunder, to the extent applicable, have not been complied with in respect of loan of ₹ 400 lacs taken from a party. We are informed by the management that no order has been passed by the Company Law Board, National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.*
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues *have not been regularly deposited with the appropriate authorities and there have been serious delays in a large number of cases and also certain amounts are not yet paid as indicated in (b) below.*
- (b) According to the information and explanations given to us, undisputed dues in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other material statutory dues which were outstanding, at the year end for a period of more than six months from the date they became payable are as follows :

| Name of the statute | Nature of the dues | Amount (₹ in lacs) | Period to which the amount relates | Due Date |
|---|---|--------------------|--|--------------------------------|
| Central Sales Tax/Maharashtra Sales Tax Act | Sales Tax Liability | 28.97 | 2002-03, 2003-04, 2004-05, 2009-10 & 2010-11 | Subsequent month after accrual |
| Entry Tax Act Chhattisgarh | Entry Tax Liability | 0.82 | 2010-11 & 2011-12 | Subsequent month after accrual |
| Uttar Pradesh Sales Tax Act | Purchase Tax Liability | 2.63 | 2002-03 | Subsequent month after accrual |
| Income Tax Act, 1961 | Tax Deducted at Source & Interest thereon | 81.25 | 2008-09, 2009-10, 2010-11 & 2011-12 | Subsequent month after accrual |
| | Fringe Benefit Tax & Interest thereon | 39.35 | 2007-08 to 2011-12 | Quarterly after accrual |
| Employees Provident Fund Act | Provident Fund Dues | 47.01 | 2009-10, 2010-11 & 2011-12 | Subsequent month after accrual |
| Employees State Insurance Act | ESI | 1.26 | 2010-11 & 2011-12 | Subsequent month after accrual |
| State Tax on Employment | Professional Tax | 3.29 | 2007-08 to 2011-12 | Subsequent month after accrual |
| Central Excise and Customs Act, 1944 | Excise Duty & Interest thereon | 357.90 | 1999-2000, 2002-03 to 2011-12 | Subsequent month after accrual |
| Value Added Tax | Value Added Tax Payable | 31.63 | 2009-10, 2010-11 & 2011-12 | Subsequent month after accrual |

- (c) According to the records of the Company, the dues outstanding in respect of sales tax, income tax, customs duty, wealth tax, service tax, excise duty & cess on account of any dispute, are as follows :-

| Name of the statute | Nature of the dues | Amount (₹ in lacs) | Period to which the amount relates | Forum where dispute is pending |
|---|--|--------------------|---|--|
| Central Excise and Customs Act, 1944 | Differential Excise Duty | 559.17 | 1980-81 to 1984-85 & 1994-95 to 1996-97 | CESTAT, Kolkata |
| | Denial of benefit of exemption | 330.02 | 2007-08 to 2010-11 | CESTAT, Kolkata |
| | Differential Excise Duty | 5.07 | 2005-06 | CESTAT, Meerut |
| | Service Tax on GTA | 35.21 | 2004-05 to 2005-06 | CESTAT, Kolkata |
| | Cenvat Credit reversal on Non-Excisable Product | 18.25 | 2000-01 | CESTAT, Delhi |
| | Excise duty on prelaminated Particle Board | 1,023.46 | 1995-1996 to 1999-2000 | Supreme Court |
| U.P. Sales Tax/U.P. Vat Act/Central Sales Tax Act, 1956 | Purchase Tax/C/F Forms Pending/Various Other Matters | 107.75 | Various years | Asst. Comm/Dy. Comm./Joint Comm./ Member Tribunal Bench/High Court |

- (x) *The Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth and it has incurred cash losses in the current and immediately preceding financial year.*
- (xi) Dues of ₹ 1,835,368,119 (including interest and redemption premium) pertaining to debentures aggregating to ₹ 1,203,110,000 recalled by the lenders, have been disputed by the Company as stated in Notes 33 and 38 to the accompanying financial statements and hence we are unable to comment whether there is a default in respect of the above recalled dues. Read with the above, based on our audit procedures and as per the information and explanations given by the management, the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society and therefore, the provisions of clause 4 (xiii) of the Order are not applicable.
- (xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Order are not applicable.
- (xv) According to the information and explanations provided to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which these loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares during the year to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, the Company had created security in respect of debentures issued in earlier years and outstanding during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the the Company has been noticed or reported during the year.



For S. R. BATLIBOI & CO.
Firm Registration Number : 301003E
Chartered Accountants



per R.K. Agrawal
Partner

Membership No.16667

22, Camac Street
Block 'C', 3rd Floor
Kolkata 700 016
Dated : May 30, 2012

Balance Sheet as at 31st March, 2012

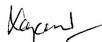
| Notes | As at 31st March, 2012 (Amount in `) | As at 31st March, 2011 (Amount in `) |
|--|--|--|
| Equity and liabilities | | |
| Shareholders' funds | | |
| Share Capital | 2 | 344,909,510 |
| Reserves & Surplus | 3 | (3,430,294,731) |
| | | (3,085,385,221) |
| Non-current liabilities | | |
| Long-term borrowings | 4 | 2,201,387,078 |
| Other long-term liabilities | 5 | 574,765,451 |
| Long-term provisions | 6 | 131,005,124 |
| | | 2,907,157,653 |
| Current liabilities | | |
| Short-term borrowings | 7 | 44,000,000 |
| Trade payables | 8 | 379,144,050 |
| Other current liabilities | 8 | 546,074,990 |
| Short-term provisions | 6 | 5,649,600 |
| | | 974,868,640 |
| TOTAL | | 796,641,072 |
| Assets | | |
| Non-current assets | | |
| Fixed Assets | | |
| Tangible assets | 9 | 481,699,703 |
| Intangible assets | 10 | 938,461 |
| Non-current investments | 11 | — |
| Long-term loans and advances | 12 | 6,560,307 |
| | | 489,198,471 |
| Current assets | | |
| Inventories | 13 | 90,009,941 |
| Trade receivables | 14.1 | 176,436,871 |
| Cash and bank balances | 15 | 7,276,885 |
| Short-term loans and advances | 12 | 33,708,874 |
| Other current assets | 14.2 | 10,030 |
| | | 307,442,601 |
| TOTAL | | 796,641,072 |
| Summary of significant accounting policies | 1.1 | |

The accompanying notes are an integral part of the financial statements.

As per our report of even date



For S. R. Batliboi & Co.
Firm Registration No. : 301003E
Chartered Accountants



per R. K. Agrawal
Partner
Membership No. 16667

Place : Kolkata
Date : 30th May, 2012

For and on behalf of the Board of Directors

P. K. Goenka
Chairman & Managing Director

Gaurav Goenka
Whole Time Director &
Officiating CFO

Shabnum Zaman
Company Secretary

Statement of Profit & Loss for the year ended 31st March, 2012

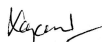
| | Notes | Year ended 31st March, 2012 (Amount in `) | Year ended 31st March, 2011 (Amount in `) |
|--|-------|---|---|
| Income | | | |
| Revenue from operations (gross) | 16 | 791,901,873 | 890,930,510 |
| Less : Excise duty | | 24,686,091 | 31,867,349 |
| Revenue from operations (net) | | 767,215,782 | 859,063,161 |
| Other Income | 17 | 10,772,351 | 16,098,387 |
| Total revenue (I) | | 777,988,133 | 875,161,548 |
| Expenses | | | |
| Cost of raw materials consumed | 18 | 171,169,652 | 223,469,852 |
| Purchase of traded goods | 19 | 449,934,286 | 464,966,063 |
| (Increase)/decrease in inventories of finished goods, work-in-progress and traded goods | 20 | 13,249,881 | 6,597,735 |
| Employee benefits expense | 21 | 95,629,692 | 113,833,725 |
| Other expenses | 22 | 262,398,766 | 170,367,148 |
| Total (II) | | 992,382,277 | 979,234,523 |
| Loss before interest, tax, depreciation and amortization & Exceptional Items (I) - (II) | | 214,394,144 | 104,072,975 |
| Depreciation and amortization expense | 23 | 11,330,248 | 14,344,376 |
| Finance costs | 24 | 56,516,514 | 87,744,890 |
| Loss before Exceptional Items | | 282,240,906 | 206,162,241 |
| Exceptional Items | 25 | | |
| Expenses | | 759,734,436 | 453,822,199 |
| Income | | — | (7,566,609) |
| Loss for the year | | 1,041,975,342 | 652,417,831 |
| Basic & Diluted Earnings per equity share [nominal value of share ` 10 (` 10)] | 26 | (30.54) | (19.12) |
| Summary of significant accounting policies | 1.1 | | |

The accompanying notes are an integral part of the financial statements.

As per our report of even date



For S. R. Batliboi & Co.
Firm Registration No. : 301003E
Chartered Accountants



per R. K. Agrawal
Partner
Membership No. 16667

Place : Kolkata
Date : 30th May, 2012

For and on behalf of the Board of Directors

P. K. Goenka
Chairman & Managing Director

Gaurav Goenka
Whole Time Director &
Officiating CFO

Shabnum Zaman
Company Secretary

Cash Flow Statement for the year ended 31st March, 2012

| | Year ended 31st March, 2012 (Amount in `) | Year ended 31st March, 2011 (Amount in `) |
|--|---|---|
| A. CASH FLOW FROM OPERATING ACTIVITIES : | | |
| Net loss before tax | 1,041,975,342 | 652,417,831 |
| Adjustment for: | | |
| Depreciation/Amortisation | 11,330,248 | 14,344,376 |
| Impairment Losses | 759,734,436 | 453,822,199 |
| Finance Costs | 56,516,514 | 88,397,589 |
| Profit on Fixed Assets Sold/Discarded (Net) (including Exceptional Income ` Nil (` 7,566,609) | (3,521,162) | (19,959,128) |
| Irrecoverable loans, debts & advances written off | 19,550,180 | 11,912,312 |
| Provision for Doubtful Loan, Debts & Advances | 5,062,948 | - |
| Provision no longer required written back | - | (73,018) |
| Unspent liabilities and unclaimed balances adjusted | (4,458,701) | (2,534,110) |
| Interest Income | (9,636) | (489,576) |
| | 197,770,515 | 106,997,187 |
| Operating Loss before Working Capital Changes : | | |
| (Decrease) / Increase in Trade Payables, Other Liabilities & Provisions | 93,127,358 | 113,286,398 |
| Decrease / (Increase) in Trade Receivables | (25,800,288) | (24,981,315) |
| Decrease / (Increase) in Loans & Advances and Other Assets | 6,883,157 | 10,710,827 |
| Decrease / (Increase) in Inventories | 40,586,811 | 13,407,772 |
| CASH FLOW FROM/(USED IN) OPERATIONS : | (82,973,478) | 5,426,495 |
| Direct Taxes Paid (Net) | 21,493 | (21,493) |
| NET CASH FROM/(USED IN) OPERATING ACTIVITIES | (82,951,985) | 5,405,002 |
| B. CASH FLOW FROM INVESTING ACTIVITIES: | | |
| Sale of Fixed Assets | 57,510,060 | 29,125,910 |
| Interest Received | 1,067 | 488,114 |
| Purchase of Fixed Assets | (4,101,879) | (7,187,532) |
| Fixed Deposits | (55,000) | (50,000) |
| NET CASH USED IN INVESTING ACTIVITIES | 53,354,248 | 22,376,492 |
| C. CASH FLOW FROM FINANCING ACTIVITIES: | | |
| Increase/(Decrease) in loans (Net) | 43,180,330 | (15,765,330) |
| Interest paid | (10,807,519) | (19,119,301) |
| NET CASH FROM /(USED IN) FINANCING ACTIVITIES | 32,372,811 | (34,884,631) |
| NET CHANGES IN CASH & CASH EQUIVALENTS (A+B+C) | 2,775,075 | (7,103,137) |
| *Cash & Cash Equivalents - Opening Balance | 4,396,810 | 11,499,947 |
| *Cash & Cash Equivalents - Closing Balance | 7,171,885 | 4,396,810 |

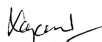
* Represents Cash and Bank Balances as indicated in Note No. 15 and excludes ` 105,000 (` 50,000) being Fixed Deposits with maturity of more than three months.

Note: The above cash flow statement has been prepared under the indirect method as set out in Accounting Standard-3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.

As per our report of even date



For S. R. Batliboi & Co.
Firm Registration No. : 301003E
Chartered Accountants



per R. K. Agrawal
Partner
Membership No. 16667

For and on behalf of the Board of Directors

Place : Kolkata
Date : 30th May, 2012

P. K. Goenka
Chairman & Managing Director

Gaurav Goenka
Whole Time Director &
Officiating CFO

Shabnum Zaman
Company Secretary

Notes to financial statements as at and for the year ended 31st March, 2012

1. Basis of preparation

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by the Companies Accounting Standards Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except in respect of insurance and other claims, which on the grounds of prudence or uncertainty in realization, are accounted for as and when accepted /received.

The accounting policies applied by the Company are consistent with those used in the previous year, except for the change in accounting policy explained in 1.1 (a) below.

1.1 Summary of significant accounting policies

(a) Change in accounting policy

Presentation and disclosure of financial statements

During the year ended 31st March, 2012, revised Schedule VI notified under the Companies Act, 1956, has become applicable to the Company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on the presentation and disclosures made in the financial statements. The Company has also reclassified the previous year figures in accordance with the requirements of revised Schedule VI applicable in the current year.

(b) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

(c) Fixed assets

Fixed Assets are stated at cost or revalued amount,

as the case may be, less accumulated depreciation/ amortisation and impairment losses, if any. Cost comprises the purchase price inclusive of duties (net of cenvat / VAT), taxes, incidental expenses, erection / commissioning expenses etc. up to the date, the asset is ready for its intended use. In case of revaluation of fixed assets, the original cost as written-up by the valuer is considered in the accounts and the differential amount is transferred to revaluation reserve.

Intangible assets are amortized on a straight line basis over the estimated useful economic life of the asset. Intangible assets being Specialized Software are amortised on a straight line basis over a period of 3 years.

Machinery spares which can be used only in connection with an item of fixed asset and whose use as per technical assessment is expected to be irregular, are capitalised and depreciated over the residual life of the respective assets.

(d) Depreciation / Amortisation

The classification of plant and machinery into continuous and non-continuous process is done as per technical certification and depreciation thereon is provided accordingly.

Depreciation on fixed assets is provided under Straight Line Method at the rates prescribed in Schedule XIV of the Companies Act, 1956.

Depreciation on fixed assets added / disposed off during the period is provided on pro-rata basis with reference to the date of addition/disposal.

Leasehold properties are depreciated over the primary period of lease or their respective useful lives, whichever is shorter.

In case of impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

(e) Fixed Assets Acquired under Lease

Finance Lease:

Assets acquired under lease agreements which effectively transfer to the company substantially all the risk and benefits incidental to ownership of the leased items, are capitalized at the lower of the fair value and present value of minimum lease payment at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate

of interest on the remaining balance of their liability. Finance charges are charged directly to the expenses account. Lease management fees, legal charges and other initial direct costs are capitalised.

Operating Lease :

Leases where the lessor effectively retains substantially all the risks and benefits of the ownership of the leased assets are classified as operating leases. Operating lease payments are recognized as an expense in the profit and loss account on a straight-line basis over the lease term.

(f) Borrowing costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition /construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as a part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

(g) Impairment of assets

The carrying amounts of assets are reviewed at each balance sheet date to determine if there is any indication of impairment based on external/internal factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount which represents the greater of the net selling price and 'Value in use' of the assets. In assessing the Value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and risks specific to the assets.

(h) Government grants and subsidies

Grants and subsidies from the government are recognized when there is reasonable assurance that the grants/subsidy will be received and all attaching conditions will be complied with.

When the grant or subsidy relates to an expenses item, it is recognized as income over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate.

Where the grant or subsidy relates to an asset, its value is deducted from the gross value of the asset concerned in arriving at the carrying amount of the related asset.

Government grants of the nature of promoters' contribution are credited to capital reserve and treated as a part of shareholders' funds.

(i) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as Current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and market value on individual investment basis. Long Term Investments are considered at cost, unless there is an "other than temporary" decline in value, in which case adequate provision is made for the diminution in the value of Investments.

(j) Inventories

Raw materials and stores and spares are valued at lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost of raw materials and stores and spares is determined on weighted average / FIFO basis.

Work-in-progress and finished goods are valued at lower of cost and net realizable value. Cost includes direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty and is determined on annual weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

(k) Revenue recognition

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

Revenue from sale of goods is recognized when all the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on delivery of the goods. The Company collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic

benefits flowing to the Company. Hence, they are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the year.

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

(l) Foreign currency translation

Foreign currency transactions and balances

Initial recognition

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

Conversion

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

Exchange differences

Exchange differences arising on the settlement / conversion of monetary items are recognized as income or expenses in the year in which they arise.

Forward Exchange Contracts not entered for trading or speculation purpose

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

(m) Premium on Redemption of Debentures

Premium payable on redemption of debentures is adjusted against the Securities Premium Account, on a proportionate basis.

(n) Retirement and other employee benefits

Retirement benefit in the form of Provident Fund is

a defined contribution scheme and is charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. The Company has no obligations other than the contribution payable to the respective funds.

Gratuity liability, being a defined benefit obligation, is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.

Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation which is done as per projected unit credit method at the end of each financial year.

Actuarial gains / losses are immediately taken to the statement of profit and loss and are not deferred.

(o) Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income taxes reflect the impact of current year timing differences between taxable income for the year and reversal of timing differences of earlier years.

The deferred tax for timing differences between the book and tax profits for the year is accounted for using the tax rates and laws that have been substantively enacted as of the Balance Sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the Company has carry forward unabsorbed depreciation and tax losses, deferred tax assets are recognized only to the extent there is virtual certainty supported by convincing evidence that sufficient taxable income will be available against which such deferred tax asset can be realized.

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

Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

(p) Segment reporting

Identification of segments

The Company has identified that its business segments are the primary segments. The Company's businesses are organized and managed separately according to the nature of products/services, with each segment representing a strategic business unit that offers different product / services and serves different markets. The analysis of geographical segments is based on the areas in which the customers of the Company are located.

Allocation of common costs

Common allocable costs are allocated to each segment on case to case basis applying the ratio, appropriate to each relevant case. Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segment on a reasonable basis, have been included under the head "Unallocated".

Segment accounting policies

The accounting policies adopted for segment reporting are in line with those of the Company's accounting policies.

(q) Earnings Per Share

Basic Earning per Share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted number of equity shares outstanding during the year.

For the purpose of calculating diluted earning per share, net profit or loss for the year attributable to equity share holders and the weighted average number of shares outstanding during the year are adjusted for the effect of all dilutive potential equity shares.

(r) Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

Provisions made in terms of Accounting Standard 29 are not discounted to their present value and are determined based on best estimates required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

(s) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

(t) Cash and cash equivalents

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

(u) Excise Duty

Excise duty on finished goods stock lying at the factories is accounted for at the point of manufacture of goods and accordingly, is considered for valuation of finished goods stock lying in the factories as on the balance sheet date.

Notes to financial statements as at and for the year ended 31st March, 2012
2. Share Capital

| | As at 31st March, 2012 (Amount in `) | As at 31st March, 2011 (Amount in `) |
|---|--|--|
| Authorized | | |
| 40,000,000 (40,000,000) Equity Shares of ` 10/- each | 400,000,000 | 400,000,000 |
| 1,000,000 (1,000,000) 10% Cumulative Redeemable Preference Shares of ` 100/- each | 100,000,000 | 100,000,000 |
| | <u>500,000,000</u> | <u>500,000,000</u> |
| Issued | | |
| 34,862,411 (34,862,411) Equity Shares of ` 10/- each | 348,624,110 | 348,624,110 |
| Subscribed and paid-up | | |
| 34,114,514 (34,114,514) Equity Shares of ` 10/- each | 341,145,140 | 341,145,140 |
| Add : Amount received on forfeited shares | 3,764,370 | 3,764,370 |
| | <u>344,909,510</u> | <u>344,909,510</u> |

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period
Equity shares

| | As at 31st March, 2012 | | As at 31st March, 2011 | |
|---|---------------------------|--------------------|---------------------------|--------------------|
| | No. of Shares | (Amount in `) | No. of Shares | (Amount in `) |
| At the beginning of the year | 34,114,514 | 341,145,140 | 34,114,514 | 341,145,140 |
| Issued during the year | - | - | - | - |
| Outstanding at the end of the year | <u>34,114,514</u> | <u>341,145,140</u> | <u>34,114,514</u> | <u>341,145,140</u> |

(b) Terms / rights attached to equity shares

The Company has only one class of equity shares having a par value of ` 10 per share. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Details of shareholders holding more than 5% shares in the Company

| Name of the shareholder | As at 31st March, 2012 | | As at 31st March, 2011 | |
|---------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | No. of Shares | % holding in the class | No. of Shares | % holding in the class |
| Equity shares of ` 10 each fully paid | | | | |
| Dhanani international Limited | 7,887,574 | 23.12% | 7,887,574 | 23.12% |
| Raj Kumar Goenka | 3,790,381 | 11.11% | 3,790,381 | 11.11% |

As per records of the Company, including its register of shareholders/members, the above shareholding represents legal ownerships of shares.

Notes to financial statements as at and for the year ended 31st March, 2012
3. Reserves & Surplus

| | As at 31st March, 2012 (Amount in `) | As at 31st March, 2011 (Amount in `) |
|--|--|--|
| Capital reserve | | |
| Balance as per the last financial statements | 11,478,772 | 11,478,772 |
| Securities premium account | | |
| Balance as per the last financial statements | 219,257,307 | 487,311,825 |
| Less : Premium Payable on Redemption of Debentures | - | 268,054,518 |
| Closing Balance | 219,257,307 | 219,257,307 |
| Revaluation reserve | | |
| Balance as per the last financial statements | 132,954,447 | 132,954,447 |
| Less : Adjustment on sale of revalued assets | 21,426,238 | - |
| Closing Balance | 111,528,209 | 132,954,447 |
| Surplus/(Deficit) in the statement of profit and loss | | |
| Balance as per the last financial statements | (2,730,583,677) | (2,078,165,846) |
| Loss for the year | (1,041,975,342) | (652,417,831) |
| Net Surplus/(Deficit) in the statement of profit and loss | (3,772,559,019) | (2,730,583,677) |
| Total reserves and surplus | (3,430,294,731) | (2,366,893,151) |

4. Long-term borrowings

| | Non-current portion | | Current maturities | |
|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | As at | | As at | |
| | 31st March 2012 (Amount in `) | 31st March 2011 (Amount in `) | 31st March 2012 (Amount in `) | 31st March 2011 (Amount in `) |
| Debentures | | | | |
| Secured | | | | |
| 220,046 (220,046) Non-Convertible Debentures of ` 10,000 each | 1,993,796,667 | 2,200,460,000 | 206,663,333 | - |
| Unsecured | | | | |
| From Managing Director (not bearing interest) 8,800 (8,800) Non-Convertible Debentures of ` 10,000 each | 88,000,000 | 88,000,000 | - | - |
| Other loans and advances (unsecured) | | | | |
| From a Scheduled Bank | 39,096,000 | 39,096,000 | - | - |
| From Bodies Corporate (partly not bearing interest) | 80,494,411 | 80,494,411 | - | - |
| Finance lease obligations (secured) | | | | |
| From banks | - | 66,232 | 66,232 | 181,047 |
| From Bodies Corporate | - | 143,406 | 143,406 | 638,623 |
| | 2,201,387,078 | 2,408,260,049 | 206,872,971 | 819,670 |
| Amount disclosed under the head "other current liabilities" | - | - | (206,872,971) | (819,670) |
| Net amount | 2,201,387,078 | 2,408,260,049 | - | - |

Notes to financial statements as at and for the year ended 31st March, 2012
Notes:
A. DEBENTURES

Terms of redemption and Nature of Security, for the debentures are as under:

- (a) 120,000 Secured redeemable non-convertible debentures of ₹10,000/-each issued to India Debt Management Pvt. Ltd. consists of the following:

| Series | "A" | "B" | "C" |
|-------------------|---------|--------|-------|
| No. of Debentures | 100,000 | 14,500 | 5,500 |

Series A debentures are redeemable at a premium, as follows:-

On 31st March, 2012 20%

On 31st March, 2013 80%

The above debentures carry interest @10.00% (4.00%)

Series B and C Debentures were proposed to be converted into equity. The lender has recalled the above loans during the year, which has been disputed by the Company for the reasons mentioned in Note 38 and since the matter is sub-judice, the above loan has been considered as Non-current.

All the above debentures are secured by First Exclusive Priority Charge on Immovable property at, Margherita, Art Margherita, Long Island, Rampur and Gondia, Godown / Immovable Property at Thane, Trade mark 'Kitply', Movable and Current Assets (Inventories & Debtors), IFCI, IDBI and IIBI Financed equipments and Insurance contracts.

Third party Assets 2 i.e. all that piece and parcel of agricultural land admeasuring 52.96 acres at Bhaiya Nagla, Muradabad.

Pledge of new promoter's shares proposed to be issued under the Scheme of Arrangement and a Second Pari Passu Charge on Third Party Assets I i.e. Office premises at 119, Park Street, Kolkata - 700 016.

Further, of the above, series A debentures amounting to ₹1,000,000,000 are also secured by a First Exclusive Priority Charge on Agro Immovable Property, Agro Movable assets and pledge of existing promoters shares.

- (b) 50,400 secured redeemable non-convertible debentures of Series 1, 2 and 3 of the face value of ₹10,000/- each aggregating to ₹504,000,000 (interest free) are redeemable at par as follows:-

On 15th September, 2013 ₹190,000,000

On 15th September, 2014 ₹269,000,000

On 15th September, 2015 ₹45,000,000

Further, 5,440 Secured redeemable non-convertible debentures of the face value of ₹10,000/- each aggregating to ₹54,400,000 are convertible into Equity as envisaged in the Scheme of Arrangement.

Out of above, 13,160 debentures amounting to ₹131,600,000 are secured by a Second Pari-Passu Charge on Agro Immovable and Movable Assets and Third Exclusive Priority Charge on the Godown / Immovable Property at Thane. Further 5,440 debentures are secured by:

First Exclusive Charge on Third party Assets I i.e. premises at 119, Park Street, Kolkata - 700 016.

Second Pari-Passu Charge on pledge of existing promoter shares.

Besides, 42,680 debentures amounting to ₹426,800,000 and 5,440 debentures amounting to ₹54,400,000 are further secured by:

Second exclusive priority Charge on the trade mark, Third Party Assets 1 i.e. Office premises at 119, Park Street, Kolkata - 700 016 and Third Party Asset 2 i.e. all that piece and parcel of agricultural land admeasuring 52.96 acres at Bhaiya Nagla, Muradabad. (Provided that the claim should not exceeds ₹17.76 crores).

Second parri-Passu Charge on Movable Assets, Current Assets and Immovable property at Margherita, Art-Margherita, Long Island, Rampur, Gondia (Provided that the claim should not exceeds ₹19.46 crores) & other current assets of the Company.

42,680 debentures are further secured by Third Exclusive Priority Charge on the Godown / Immovable property at Thane.

Further, 55,840 debentures are also secured by a personal guarantee of Mr. P. K. Goenka (Chairman & Managing Director).

- (c) 31,551 secured redeemable non-convertible debentures of the face value of ₹10,000/- each aggregating to ₹315,510,000 which carry interest @6.00% (6.00%) are redeemable at par along with interest in two equal installments on 31st March, 2013 & 31st March, 2014 and are secured by:

Second Pari-Passu Charge on Agro Immovable Property, Agro movable assets and pledge of existing promoter shares.

Second Exclusive Priority Charge on the Godown / Immovable property at Thane and IDBI Financed Equipments.

- (d) 8,404 secured redeemable non-convertible debentures of the face value of ₹10,000/- each aggregating to ₹84,040,000 which carry interest @ 6.00% (6.00%) are redeemable at par along with interest in two equal installments on 31st March, 2013 & 31st March, 2014.

Notes to financial statements as at and for the year ended 31st March, 2012

However out of above, the lender for 311 secured redeemable non-convertible debentures of ` 3,110,000 has recalled the loan in earlier years (refer Note 33) and since the matter is disputed, the said loan has been considered as Non-current.

400 secured redeemable non-convertible debentures valuing ` 4,000,000 (interest free) are redeemable at par in three yearly installments on 31st March, 2013, 31st March, 2014 & 31st March, 2015. The above debentures are secured by:

Second Pari-Passu Charge on the Movable Assets, Current Assets and Immovable property at Margherita, Art-Margherita, Gondia, Rampur & Long Island and other current assets of the Company.

Fourth Pari-Passu Charge on the Godown / Immovable property at Thane.

- (e) 278 secured redeemable non-convertible debentures aggregating to ` 2,780,000 will be converted into equity as envisaged in Scheme of Arrangement and 1,436 secured redeemable non-convertible debentures aggregating to ` 14,360,000 which carry interest @ 8.40% (8.40%) are redeemable at par along with interest in three yearly installments on 30th September, 2013, 30th September, 2014 & 30th September, 2015. The above debentures are secured by:

Second Exclusive Priority Charge on IFCI Financed Equipments.

Fourth Pari-Passu Charge on the Godown immovable property at Thane.

- (f) 1,111 secured redeemable non-convertible debentures aggregating to ` 11,110,000 which carry interest @ 6.00% (6.00%) are redeemable at par along with interest in two equal installments on 31st March, 2013 & 31st March, 2014 and are secured by:

Second Pari-Passu Charge on Agro Immovable Property and Agro movable assets.

Second Exclusive Priority Charge on IIBI Financed Equipments.

- (g) 166 secured redeemable non-convertible debentures aggregating to ` 1,660,000 will be converted into equity as envisaged in Scheme of Arrangement and 860 secured redeemable non-convertible debentures aggregating to ` 8,600,000 which carry interest @ 8.40% (8.40%) are redeemable at par along with interest in three yearly installments on 30th September, 2013, 30th September, 2014 & 30th September, 2015. The above debentures are secured by:

Second Pari-Passu Charge on Movable Assets, Current Assets and Immovable property at, Margherita, Art-Margherita, Gondia, Rampur, & Long Island and other current assets of the Company.

Fourth Pari-Passu Charge on the Godown/Immovable property at Thane.

- B. 8,800 unsecured redeemable non-convertible debentures aggregating to ` 88,000,000 will be converted into equity as envisaged in Scheme of Arrangement.
- C. Unsecured loan from a scheduled bank (interest free) is repayable in eight quarterly installments of ` 4,887,000 each starting from July 01, 2015.
- D. Unsecured loans from bodies corporate includes ` 70,300,000 which were proposed to be converted into equity as envisaged in the Scheme of Arrangement. The lender has recalled the loan in earlier years. However, since the Company's suit against the above lender for specific performance is pending before Hon'ble Calcutta High Court as stated in Note 34 (c), the above loan has been considered as Non-current.
- E. Finance lease obligations are secured by hypothecation of the assets purchased there against and carry interest @10.00% to 13.00% (10.00% to 13.00%).
- F. In the absence of profit, Debenture Redemption Reserve of ` 360,636,941 (including ` 80,170,834 for the year) has not been created.
- G. Period and amount of continuing default as on the balance sheet date in repayment of debentures, loans, interest and premium on debentures thereon:

Debentures aggregating to ` 1,835,368,119 (including interest and redemption premium) and loans of ` 70,300,000 have been recalled by the lenders, but the same is disputed by the Company as stated in Notes 33, 34 (c) and 38 and accordingly, not considered as a continuing default as on the Balance Sheet date.

5. Other long-term liabilities

| | As at 31st March, 2012 (Amount in `) | As at 31st March, 2011 (Amount in `) |
|--|--|--|
| Trade payables | 3,761,821 | - |
| (refer note 40 for details of dues to micro and small enterprises) | | |
| Premium Payable on Redemption of Debentures | 531,248,865 | 531,248,865 |
| Interest accrued but not due on debentures | 39,754,765 | 84,393,686 |
| | <u>574,765,451</u> | <u>615,642,551</u> |

Notes to financial statements as at and for the year ended 31st March, 2012
6. Provisions

| | Long-term As at | | Short-term As at | |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | 31st March, 2012 (Amount in `) | 31st March, 2011 (Amount in `) | 31st March, 2012 (Amount in `) | 31st March, 2011 (Amount in `) |
| Provision for employee benefits | | | | |
| Gratuity (note 27) | 21,400,167 | 22,375,525 | 2,151,685 | 1,216,046 |
| Leave benefits | 9,450,651 | 9,647,850 | 667,313 | 777,427 |
| | 30,850,818 | 32,023,375 | 2,818,998 | 1,993,473 |
| Other Provisions | | | | |
| Provision against Excise duty demand (including interest & penalty) (refer note 37) | 100,154,306 | - | - | - |
| Provision for fringe benefit tax | - | - | 2,830,602 | 2,830,602 |
| | 100,154,306 | - | 2,830,602 | 2,830,602 |
| | 131,005,124 | 32,023,375 | 5,649,600 | 4,824,075 |

7. Short-term borrowings

| | As at 31st March, 2012 (Amount in `) | As at 31st March, 2011 (Amount in `) |
|---|--|--|
| Unsecured Loan (Repayable on demand) | | |
| Bearing interest (carry interest @30% p.a.) | 40,000,000 | - |
| Not bearing interest | 4,000,000 | - |
| | 44,000,000 | - |

8. Other current liabilities

| | | |
|---|--------------------|--------------------|
| Trade payables (refer note 40 for details of dues to micro and small enterprises) | 379,144,050 | 341,286,943 |
| Other liabilities | | |
| Payable against purchase of fixed assets | 3,314,601 | 5,391,857 |
| Current maturities of long-term borrowings (refer note 4) | 206,872,971 | 819,670 |
| Interest accrued and due on debentures, loans etc. | 195,391,492 | 105,043,575 |
| Advance against Sales | 4,685,810 | 15,059,367 |
| Advances against sale of Fixed Assets | 5,894,190 | 1,556,930 |
| Book Overdraft from Scheduled Banks | 2,610,889 | 44,279,483 |
| Others | | |
| Trade & Other Deposits | 38,043,102 | 42,010,117 |
| Statutory dues payable | 86,062,600 | 83,170,011 |
| Other Miscellaneous | 3,199,335 | 2,840,304 |
| | 546,074,990 | 300,171,314 |
| | 925,219,040 | 641,458,257 |

Notes to financial statements as at and for the year ended 31st March, 2012

| 9. Tangible Assets | (Amount in `) | | | | | | | Total | | |
|----------------------------------|--------------------|-------------------|-------------------|-----------------------|----------------------|------------------------|-------------------|-------------------|----------------------|----------------------|
| | Freehold Land (a) | Leasehold Land | Factory Buildings | Non-Factory Buildings | Plant and equipments | Furniture and fixtures | Office equipments | | Vehicles (b) | Plantations |
| Cost or valuation | | | | | | | | | | |
| At 1 April, 2010 | 422,310,695 | 35,994,817 | 74,266,953 | 39,102,806 | 132,600,211 | 15,391,608 | 14,721,408 | 11,804,660 | 1,269,157,230 | 2,015,350,388 |
| Additions | - | - | 1,113,748 | 580,841 | 5,809,898 | 1,009,878 | 499,581 | - | 664,969 | 9,678,915 |
| Less: on disposals / adjustments | 5,430,347 | - | 11,775,399 | 6,658,478 | 7,381,191 | 146,105 | 862,696 | 520,469 | - | 32,774,685 |
| At 31 March, 2011 | 416,880,348 | 35,994,817 | 63,605,302 | 33,025,169 | 131,028,918 | 16,255,381 | 14,358,293 | 11,284,191 | 1,269,822,199 | 1,992,254,618 |
| Additions | - | - | - | - | 34,880 | 42,893 | 690,597 | - | - | 768,370 |
| Less: on disposals / adjustments | 63,199,921 | - | 214,000 | 1,917,465 | 4,537,745 | 5,672,223 | 9,334,373 | 1,756,925 | - | 86,632,652 |
| Less: transfer to inventory * | - | - | - | - | - | - | - | - | 56,265,564 | 56,265,564 |
| At 31 March, 2012 | 353,680,427 | 35,994,817 | 63,391,302 | 31,107,704 | 126,526,053 | 10,626,051 | 5,714,517 | 9,527,266 | 1,213,556,635 | 1,850,124,772 |
| Impairment Losses | | | | | | | | | | |
| At 1 April, 2010 | - | - | - | - | - | - | - | - | - | - |
| Charge for the year | - | - | - | - | - | - | - | - | 453,822,199 | 453,822,199 |
| At 31 March, 2011 | - | - | - | - | - | - | - | - | 453,822,199 | 453,822,199 |
| Charge for the year | - | - | - | - | - | - | - | - | 759,734,436 | 759,734,436 |
| At 31 March, 2012 | - | - | - | - | - | - | - | - | 1,213,556,635 | 1,213,556,635 |
| Depreciation | | | | | | | | | | |
| At 1 April, 2010 | - | 669,849 | 37,847,529 | 13,617,256 | 85,386,853 | 10,723,585 | 9,204,365 | 3,295,244 | - | 160,744,681 |
| Charge for the year | - | 669,849 | 2,307,270 | 598,811 | 8,044,656 | 957,529 | 692,791 | 1,073,470 | - | 14,344,376 |
| Less: on disposals / adjustments | - | - | 6,914,759 | 2,619,643 | 5,018,948 | 20,808 | 619,856 | 484,289 | - | 15,678,303 |
| At 31 March, 2011 | - | 1,339,698 | 33,240,040 | 11,596,424 | 88,412,561 | 11,660,306 | 9,277,300 | 3,884,425 | - | 159,410,754 |
| Charge for the year (c) | - | 654,451 | 2,117,269 | 508,065 | 5,936,120 | 595,664 | 232,055 | 968,832 | - | 11,012,456 |
| Less: on disposals / adjustments | - | 30,796 | 130,328 | 918,381 | 1,352,521 | 4,877,286 | 7,036,818 | 1,208,646 | - | 15,554,776 |
| At 31 March, 2012 | - | 1,963,353 | 35,226,981 | 11,186,108 | 92,996,160 | 7,378,684 | 2,472,537 | 3,644,611 | - | 154,868,434 |
| Net Block | | | | | | | | | | |
| At 31 March, 2011 | 416,880,348 | 34,655,119 | 30,365,262 | 21,428,745 | 42,616,357 | 4,595,075 | 5,080,993 | 7,399,766 | 816,000,000 | 1,379,021,665 |
| At 31 March, 2012 | 353,680,427 | 34,031,464 | 28,164,321 | 19,921,596 | 33,529,893 | 3,247,367 | 3,241,980 | 5,882,655 | - | 481,699,703 |

a. Plantation land at Durg (Chhattisgarh) was revalued in the year 2008-2009 by an external valuer based on the prevailing market price in the concerned locality and the resultant surplus of ` 132,954,447 was transferred to Revaluation Reserve.

b. Includes assets taken on finance lease, Gross Block ` 7,215,389 (` 7,215,389), written down value ` 4,791,719 (` 5,477,181). Refer Note 30

c. Includes depreciation ` 2,300,595 (` Nil) on assets at Igatpuri unit, where manufacturing operations were not carried on during the year.

* Refer Note 36

Notes to financial statements as at and for the year ended 31st March, 2012
10. Intangible assets

| | (Amount in `) | |
|-------------------------|-------------------|------------------|
| | Computer software | Total |
| Gross block | | |
| At 1 April 2010 | - | - |
| Purchase | - | - |
| At 31 March 2011 | - | - |
| Purchase | 1,256,253 | 1,256,253 |
| At 31 March 2012 | 1,256,253 | 1,256,253 |
| Amortization | | |
| At 1 April 2010 | - | - |
| Charge for the year | - | - |
| At 31 March 2011 | - | - |
| Charge for the year | 317,792 | 317,792 |
| At 31 March 2012 | 317,792 | 317,792 |
| Net block | | |
| At 31 March 2011 | - | - |
| At 31 March 2012 | 938,461 | 938,461 |

11. Non-current investments (at cost)

| | Face Value per Share | No. of Shares | As at 31st March, 2012 (Amount in `) | As at 31st March, 2011 (Amount in `) |
|--|----------------------|---------------|---|---|
| Trade investments | | | | |
| <i>Unquoted equity shares fully paid up</i> | | | | |
| Naginimara Forest Products Pvt. Ltd. | 100 | 31 | 3,100 | 3,100 |
| Non-trade investments | | | | |
| <i>Unquoted equity shares fully paid up</i> | | | | |
| Vegepro Foods & Feeds Ltd. | 10 | 2,111,700 | 4,244,517 | 4,244,517 |
| Purbanchal Bank Ltd. | 100 | 100 | 10,000 | 10,000 |
| Dhanani International Ltd. | 10 | 254,400 | 11,319,000 | 11,319,000 |
| Lohit Chemicals Pvt. Ltd. | 100 | 150 | 15,000 | 15,000 |
| Optel Telecom Ltd. (` 5 paid up) | 10 | 98,600 | 2,700,000 | 2,700,000 |
| | | | 18,291,617 | 18,291,617 |
| Less: Provision for diminution in value of investments | | | 18,291,617 | 18,291,617 |
| | | | - | - |

Notes to financial statements as at and for the year ended 31st March, 2012
12. Loans and advances (Unsecured, Considered good, except stated otherwise)

| | | Non-current As at | | Current As at | |
|---|-----|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | | 31st March, 2012 (Amount in `) | 31st March, 2011 (Amount in `) | 31st March, 2012 (Amount in `) | 31st March, 2011 (Amount in `) |
| Security Deposits | (A) | 5,934,694 | 6,538,144 | – | – |
| Advances recoverable in cash or in kind or for value to be received or pending adjustments | | | | | |
| Considered good | | 625,613 | 480,118 | 8,548,128 | 27,843,115 |
| Doubtful | | – | – | 2,112,651 | – |
| | | 625,613 | 480,118 | 10,660,779 | 27,843,115 |
| Less: provision for doubtful advances | | – | – | 2,112,651 | – |
| | (B) | 625,613 | 480,118 | 8,548,128 | 27,843,115 |
| Other loans and advances | | | | | |
| Claims receivable | | – | – | 11,147,191 | – |
| Deposits against demand under dispute | | – | – | 10,704,505 | 9,854,505 |
| Income tax deducted at source | | – | – | 539,405 | 560,898 |
| Balances with Excise, Customs, Port Trusts and Other Government Authorities | | – | – | 2,769,645 | 3,907,289 |
| | (C) | – | – | 25,160,746 | 14,322,692 |
| Total (A+B+C) | | 6,560,307 | 7,018,262 | 33,708,874 | 42,165,807 |

13. Inventories

| | Note | As at 31st March, 2012 (Amount in `) | As at 31st March, 2011 (Amount in `) |
|---|------|--|--|
| Valued at Lower of Cost and Net Realisable Value | | | |
| Raw materials | 18 | 11,695,307 | 36,667,767 |
| Work-in-progress | 20 | – | 523,501 |
| Finished goods | 20 | 12,531,980 | 23,319,355 |
| Traded goods | 20 | 2,822,495 | 5,245,457 |
| Timber Plantation | 36 | 56,265,564 | – |
| Stores and spare parts etc. | | 6,694,595 | 8,575,108 |
| | | <u>90,009,941</u> | <u>74,331,188</u> |
| The above includes stock in transit: | | | |
| Finished Goods | | 2,116,076 | 2,355,540 |
| Traded goods | | – | 751,795 |
| | | <u>2,116,076</u> | <u>3,107,335</u> |

14. Trade receivables and other assets
14.1. Trade receivables

| | | Current | |
|---|---------|--|--|
| | | As at 31st March, 2012 (Amount in `) | As at 31st March, 2011 (Amount in `) |
| Debts outstanding for a period exceeding six months from the date they are due for payment | | | |
| Unsecured, considered good | | 52,839,484 | 19,453,667 |
| Doubtful | | 2,950,297 | – |
| | | 55,789,781 | 19,453,667 |
| Provision for doubtful debts | | 2,950,297 | – |
| | (A) | 52,839,484 | 19,453,667 |
| Other debts | | | |
| Unsecured, considered good | | 123,597,387 | 153,683,393 |
| | (B) | 123,597,387 | 153,683,393 |
| | (A)+(B) | <u>176,436,871</u> | <u>173,137,060</u> |

Notes to financial statements as at and for the year ended 31st March, 2012
14.2. Other Assets

| | Current | |
|---|--|--|
| | As at 31st March, 2012 (Amount in `) | As at 31st March, 2011 (Amount in `) |
| Unsecured, considered good | | |
| Interest accrued on fixed deposits | 10,030 | 1,461 |
| Excise duty subsidy receivable | - | 102,413 |
| | 10,030 | 103,874 |
| 15. Cash and Bank balances | | |
| Cash and cash equivalents | | |
| Balances with banks: | | |
| On current accounts | 6,856,604 | 2,847,779 |
| Cheques on hand | 17,101 | - |
| Cash on hand | 298,180 | 1,549,031 |
| | 7,171,885 | 4,396,810 |
| Other bank balances | | |
| Deposits with original maturity for more than 12 months | 105,000 | 50,000 |
| | 105,000 | 50,000 |
| | 7,276,885 | 4,446,810 |

16. Revenue from operations

| | Year ended 31st March, 2012 (Amount in `) | Year ended 31st March, 2011 (Amount in `) |
|--|---|---|
| Revenue from operations | | |
| Sale of products | | |
| Finished goods | 263,985,345 | 354,697,821 |
| Traded goods | 507,980,048 | 530,317,623 |
| Timber Plantation | 18,062,080 | 285,476 |
| | 790,027,473 | 885,300,920 |
| Other operating revenue | | |
| Scrap sales | 962,973 | 1,791,618 |
| Excise duty subsidy | 911,427 | 3,837,972 |
| Revenue from operations (gross) | 791,901,873 | 890,930,510 |
| Less: Excise duty # | 24,686,091 | 31,867,349 |
| Revenue from operations (net) | 767,215,782 | 859,063,161 |

Excise duty on sales amounting to ` 24,686,091 (` 31,867,349) has been reduced from sales in the statement of profit & loss and excise duty on decrease/(increase) in stock amounting to ` 483,957 (` 114,463) has been considered as (income)/expense in note 20 of financial statements.

Detail of products sold
Finished goods sold

| | | |
|-------------------|--------------------|--------------------|
| Plywoods & Boards | 263,079,568 | 278,720,319 |
| Laminates | 905,777 | 75,977,502 |
| | 263,985,345 | 354,697,821 |

Traded goods sold

| | | |
|-------------------|--------------------|--------------------|
| Plywoods & Boards | 506,943,699 | 530,122,023 |
| Laminates | 1,036,349 | 195,600 |
| | 507,980,048 | 530,317,623 |

| | | |
|-------------------|------------|---------|
| Timber Plantation | 18,062,080 | 285,476 |
|-------------------|------------|---------|

| | | |
|--|--------------------|--------------------|
| | 790,027,473 | 885,300,920 |
|--|--------------------|--------------------|

Notes to financial statements as at and for the year ended 31st March, 2012
17. Other Income

| | Year ended 31st March, 2012 (Amount in `) | Year ended 31st March, 2011 (Amount in `) |
|---|---|---|
| Interest income on debts, deposits, advances etc. | 9,636 | 489,576 |
| Insurance & Other Claims | - | 58,163 |
| Profit on sale of Fixed Assets (Net) | 3,521,162 | 12,392,519 |
| Recovery of debts written off in earlier years | 2,781,174 | - |
| Unspent Liabilities and Unclaimed Balances adjusted | 4,458,701 | 2,534,110 |
| Provision no longer required written back | - | 73,018 |
| Miscellaneous Income | 1,678 | 551,001 |
| | <u>10,772,351</u> | <u>16,098,387</u> |

18. Cost of raw materials consumed

| | | |
|--|--------------------|--------------------|
| Inventory at the beginning of the year | 36,667,767 | 41,729,881 |
| Add: Purchases & procurement expenses | 151,917,681 | 219,640,494 |
| | <u>188,585,448</u> | <u>261,370,375</u> |
| Less: Sales | 5,720,489 | 1,232,756 |
| Less: inventory at the end of the year | 11,695,307 | 36,667,767 |
| Cost of raw materials consumed | <u>171,169,652</u> | <u>223,469,852</u> |

Details of raw materials & components consumed

| | | |
|-------------------|--------------------|--------------------|
| Timber Logs | - | 1,218,403 |
| Commercial Veneer | 124,966,277 | 118,299,542 |
| Base Ply | 4,111,241 | - |
| Planks | 16,026,781 | 14,498,218 |
| Chemicals | 19,675,692 | 60,709,683 |
| Papers | 6,389,661 | 28,744,006 |
| | <u>171,169,652</u> | <u>223,469,852</u> |

Details of inventory
Raw materials

| | | |
|-------------------|-------------------|-------------------|
| Commercial Veneer | 4,967,091 | 20,136,086 |
| Planks | 1,458,742 | 589,294 |
| Chemicals | 4,332,084 | 5,754,905 |
| Papers | 937,390 | 10,187,482 |
| | <u>11,695,307</u> | <u>36,667,767</u> |

19. Purchase of traded goods

| | | |
|-------------------|--------------------|--------------------|
| Plywoods & Boards | 448,971,286 | 464,798,063 |
| Laminates | 963,000 | 168,000 |
| | <u>449,934,286</u> | <u>464,966,063</u> |

Notes to financial statements as at and for the year ended 31st March, 2012
20. (Increase)/decrease in inventories

| | Year ended 31st March, 2012 (Amount in `) | Year ended 31st March, 2011 (Amount in `) |
|---|---|---|
| Inventories at the end of the year | | |
| Traded goods | 2,822,495 | 5,245,457 |
| Work-in-progress | – | 523,501 |
| Finished goods | 12,531,980 | 23,319,355 |
| | <u>15,354,475</u> | <u>29,088,313</u> |
| Inventories at the beginning of the year | | |
| Traded goods | 5,245,457 | 7,683,503 |
| Work-in-progress | 523,501 | 771,678 |
| Finished goods | 23,319,355 | 27,345,330 |
| | <u>29,088,313</u> | <u>35,800,511</u> |
| (Increase)/decrease of excise duty on inventory | <u>(483,957)</u> | <u>(114,463)</u> |
| | <u>13,249,881</u> | <u>6,597,735</u> |
| Details of inventory | | |
| Traded goods | | |
| Plywoods & Boards | 2,822,495 | 5,245,457 |
| | <u>2,822,495</u> | <u>5,245,457</u> |
| Work-in-progress | | |
| Laminates | – | 523,501 |
| | <u>–</u> | <u>523,501</u> |
| Finished goods | | |
| Plywoods & Boards | 11,276,880 | 20,429,993 |
| Laminates | 1,255,100 | 2,889,362 |
| | <u>12,531,980</u> | <u>23,319,355</u> |

21. Employee benefits expense

| | | |
|---|-------------------|--------------------|
| Salaries, wages and bonus | 84,587,506 | 98,904,665 |
| Contribution to provident and other funds | 7,263,995 | 8,165,973 |
| Gratuity expense (Note 27) | 2,604,424 | 5,212,509 |
| Staff welfare expenses | 1,173,767 | 1,550,578 |
| | <u>95,629,692</u> | <u>113,833,725</u> |

Notes to financial statements as at and for the year ended 31st March, 2012
22. Other expenses

| | Year ended 31st March, 2012 (Amount in `) | Year ended 31st March, 2011 (Amount in `) |
|---|---|---|
| Consumption of stores and spares | 5,709,161 | 8,728,661 |
| Power and fuel | 22,882,453 | 34,159,630 |
| Repairs and maintenance | | |
| Plant and machinery | 572,589 | 1,200,621 |
| Buildings | 168,275 | 532,900 |
| Transportation, Freight and forwarding charges | 23,635,187 | 31,873,177 |
| Commission on sales | 10,612,434 | 14,977,859 |
| Rebates & Discounts | 3,468,958 | 4,232,948 |
| Advertising | 2,226,255 | 1,782,726 |
| Sales promotion | 7,455,671 | 6,571,440 |
| Rent & Hire Charges | 4,972,727 | 5,148,868 |
| Rates and taxes | 4,088,716 | 2,298,609 |
| Repairs and maintenance others | 1,113,193 | 1,382,320 |
| Insurance | 328,309 | 468,667 |
| Professional & Consultancy Charges | 8,444,975 | 8,932,580 |
| Charity & Donations | 148,296 | 417,114 |
| Directors' Sitting Fees | 37,500 | 54,000 |
| Payment to auditor | | |
| As auditor: | | |
| Audit fee | 1,100,000 | 1,100,000 |
| Limited review | 1,200,000 | 1,200,000 |
| In other capacity: | | |
| Tax audit fee | 200,000 | 200,000 |
| For certificates & other services | 50,000 | 50,000 |
| Reimbursement of expenses | 28,050 | 39,600 |
| Bad debts, Irrecoverable Claims and advances written off | 19,550,180 | 13,721,070 |
| Less: Adjusted against provision | - | 1,808,758 |
| | 19,550,180 | 11,912,312 |
| Provision for doubtful debts and advances | 5,062,948 | - |
| Provision against Excise duty demand (including interest & penalty) (refer Note 37) | 100,154,306 | - |
| Excise duty in respect of earlier years (including interest & penalty) | 12,527,316 | - |
| Travelling & Conveyance | 14,039,969 | 17,712,683 |
| Printing & Stationery | 1,563,150 | 1,594,121 |
| Postage & Telephone Expenses | 3,540,924 | 3,036,248 |
| Miscellaneous Expenses | 7,517,224 | 10,760,064 |
| | <u>262,398,766</u> | <u>170,367,148</u> |
| 23. Depreciation and amortization expense | | |
| Depreciation of tangible assets | 11,012,456 | 14,344,376 |
| Amortization of intangible assets | 317,792 | - |
| | <u>11,330,248</u> | <u>14,344,376</u> |
| 24. Finance costs | | |
| Interest | 56,516,514 | 87,744,890 |
| | <u>56,516,514</u> | <u>87,744,890</u> |
| 25. Exceptional Items | | |
| Expenses | | |
| Impairment losses (note 36) | 759,734,436 | 453,822,199 |
| | <u>759,734,436</u> | <u>453,822,199</u> |
| Income | | |
| Profit on Sale of a Unit | - | 7,566,609 |
| | <u>-</u> | <u>7,566,609</u> |

Notes to financial statements as at and for the year ended 31st March, 2012
26. Earnings per share (EPS)

The following reflects the profit and share data used in the basic and diluted EPS computations :

| | Year ended 31st March, 2012 (Amount in `) | Year ended 31st March, 2011 (Amount in `) |
|--|---|---|
| Loss after tax (Amount in `) | 1,041,975,342 | 652,417,831 |
| Weighted average number of equity shares outstanding during the year | 34,114,514 | 34,114,514 |
| Nominal value of equity share (Amount in `) | 10 | 10 |
| Basic & Diluted EPS (Amount in `) | (30.54) | (19.12) |

27. Gratuity - Defined Benefit Plan

The Company has a defined benefit gratuity plan. Every employee who has completed at least five years or more of service is entitled to Gratuity on terms not less favorable than the provisions of The Payment of Gratuity Act, 1972. The scheme is not funded.

The following tables summarize the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the plan.

Statement of profit and loss
Net employee benefit expense recognized in the employee cost

| | Year ended 31st March, 2012 (Amount in `) | Gratuity Year ended 31st March, 2011 (Amount in `) |
|--|---|---|
| Current service cost | 1,427,610 | 2,006,560 |
| Interest cost on benefit obligation | 1,885,737 | 1,757,725 |
| Net actuarial (gain) / loss recognized in the year | (708,923) | 1,448,224 |
| Net benefit expense | 2,604,424 | 5,212,509 |
| Actual return on plan assets | - | - |

Balance sheet
Benefit (asset)/liability

| | Year ended 31st March, 2012 (Amount in `) | Gratuity Year ended 31st March, 2011 (Amount in `) |
|---|---|---|
| Present value of defined benefit obligation | 23,551,852 | 23,591,571 |
| Fair value of plan assets | - | - |
| Plan (asset) / liability | 23,551,852 | 23,591,571 |

Changes in the present value of the defined benefit obligation are as follows:

| | Year ended 31st March, 2012 (Amount in `) | Gratuity Year ended 31st March, 2011 (Amount in `) |
|---|---|---|
| Opening defined benefit obligation | 23,591,571 | 20,351,543 |
| Current service cost | 1,427,610 | 2,006,560 |
| Interest cost | 1,885,737 | 1,757,725 |
| Benefits paid | (2,644,143) | (1,972,481) |
| Actuarial (gains) / losses on obligation | (708,923) | 1,448,224 |
| Closing defined benefit obligation | 23,551,852 | 23,591,571 |

Notes to financial statements as at and for the year ended 31st March, 2012

The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:

| | Gratuity | |
|-----------------|---|---|
| | Year ended 31st March, 2012 (Amount in `) | Year ended 31st March, 2011 (Amount in `) |
| Discount rate | 8.00% | 8.00% |
| Salary Increase | 5.00% | 5.00% |
| Attrition Rate | 1.00% - 2.00% | 1.00% - 2.00% |

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

Amounts for the current and previous four periods are as follows:

| | Year ended 31st March, 2012 (Amount in `) | Year ended 31st March, 2011 (Amount in `) | Year ended 31st March, 2010 (Amount in `) | Year ended 31st March, 2009 (Amount in `) | Year ended 31st March, 2008 (Amount in `) |
|--|---|---|---|---|---|
| Gratuity | | | | | |
| Defined benefit obligation | 23,551,852 | 23,591,571 | 20,351,543 | 16,719,541 | 18,747,900 |
| Experience adjustments on plan liabilities | (708,923) | 1,448,224 | Not Available* | Not Available* | Not Available* |

* The management has relied on the overall actuarial valuation conducted by the actuary. However, experience adjustments on plan liabilities for earlier years are not readily available and hence not disclosed.

28. Segment information

The primary segment reporting format is determined to be business segments as the Company's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Accordingly, the Company has identified "Plywood" and "Agro Forestry" as the business segments.

Plywood - Consists of manufacture and sale of plywood, block board, particle boards, Veneer, timber and Laminates.

Agroforestry - Consists of plantation timber.

The Company primarily operates in India and therefore the analysis of geographical segments is demarcated into its Indian and Overseas Operations.

Business Segments (Amount in `)

| Particulars | Plywood | | Agro Forestry | | Total | |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | Year ended 31st March, 2012 | Year ended 31st March, 2011 | Year ended 31st March, 2012 | Year ended 31st March, 2011 | Year ended 31st March, 2012 | Year ended 31st March, 2011 |
| Revenue * | | | | | | |
| External | 748,857,002 | 858,777,685 | 18,358,780 | 285,476 | 767,215,782 | 859,063,161 |
| Total revenue from operations | 748,857,002 | 858,777,685 | 18,358,780 | 285,476 | 767,215,782 | 859,063,161 |
| Results | | | | | | |
| Segment results | (220,086,994) | (82,497,520) | (743,586,324) | (461,886,163) | (963,673,318) | (544,383,683) |
| Unallocated Income/ (Expenses) (net of unallocable expenses/income) | | | | | (21,785,510) | (20,289,258) |
| Operating Loss | | | | | (985,458,828) | (564,672,941) |
| Finance costs | | | | | 56,516,514 | 87,744,890 |
| Net Loss | | | | | (1,041,975,342) | (652,417,831) |
| Segment assets | 379,625,131 | 438,819,710 | 416,361,506 | 1,240,792,597 | 795,986,637 | 1,679,612,307 |
| Unallocated corporate / other assets | | | | | 654,435 | 612,359 |
| Total assets | | | | | 796,641,072 | 1,680,224,666 |
| Segment liabilities | 524,644,411 | 494,566,253 | 9,009,485 | 6,292,870 | 533,653,896 | 500,859,123 |
| Unallocated corporate / other liabilities | | | | | 3,348,372,397 | 3,201,349,184 |
| Total liabilities | | | | | 3,882,026,293 | 3,702,208,307 |
| Other segment information | | | | | | |
| Capital expenditure | 2,024,623 | 6,522,563 | - | 664,969 | 2,024,623 | 7,187,532 |
| Depreciation / Amortization | 9,287,263 | 12,283,618 | 2,042,985 | 2,060,758 | 11,330,248 | 14,344,376 |
| Impairment Losses | - | - | 759,734,436 | 453,822,199 | 759,734,436 | 453,822,199 |

* Net of excise duty and Sales Tax.

Notes to financial statements as at and for the year ended 31st March, 2012
Geographical segments

The Company primarily operates in India and therefore the analysis of geographical segment is demarcated into its Indian and Overseas Operations.

(Amount in `)

| | Year ended 31st March, 2012 | Total Year ended 31st March, 2011 |
|--|--------------------------------|---|
| Revenue | | |
| India | 767,215,782 | 859,063,161 |
| Overseas | - | - |
| | 767,215,782 | 859,063,161 |
| Other segment information | | |
| Carrying amount of Segment assets | | |
| India | 795,986,637 | 1,679,612,307 |
| Overseas | - | - |
| | 795,986,637 | 1,679,612,307 |

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

29. Related party disclosures
Names of related parties and related party relationship
Related parties with whom transactions have taken place during the year

| | |
|--|--|
| Key management personnel | Mr. P. K. Goenka (Chairman & Managing Director) Mr. Gaurav Goenka (Whole Time Director) |
| Enterprises owned or significantly influenced by key management personnel or their relatives | P. K. Commercial & Co. |

Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year (transactions have taken place on arm's length basis):

| | Enterprises owned or significantly influenced by key management personnel or their relatives | | Key Management personnel | | Total | |
|----------------------------------|--|--|--------------------------|--|-------------------|--|
| | Transaction Value | Balance outstanding as on March 31, 2012 | Transaction Value | Balance outstanding as on March 31, 2012 | Transaction Value | Balance outstanding as on March 31, 2012 |
| Rent | | | | | | |
| P. K. Commercial & Co. | 333,000 | - | - | - | 333,000 | - |
| | (333,000) | (7,500) | - | - | (333,000) | (7,500) |
| Reimbursement of Expenses | | | | | | |
| P. K. Commercial & Co. | 332,052 | - | - | - | 332,052 | - |
| | (477,207) | - | - | - | (477,207) | - |
| Advance received | | | | | | |
| P. K. Commercial & Co. | 4,000,000 | 2,560,000 | - | - | 4,000,000 | 2,560,000 |
| | (9,100,000) | (1,145,000) | - | - | (9,100,000) | (1,145,000) |
| Advance refunded | | | | | | |
| P. K. Commercial & Co. | 2,585,000 | - | - | - | 2,585,000 | - |
| | (7,955,000) | - | - | - | (7,955,000) | - |
| Interest | | | | | | |
| P. K. Commercial & Co. | 1,140,293 | 4,090,421 | - | - | 1,140,293 | 4,090,421 |
| | (1,056,516) | (2,950,128) | - | - | (1,056,516) | (2,950,128) |
| Debentures | | | | | | |
| Mr. P. K. Goenka | - | - | - | 88,000,000 | - | 88,000,000 |
| | - | - | - | (88,000,000) | - | (88,000,000) |
| P. K. Commercial & Co. | - | 15,670,000 | - | - | - | 15,670,000 |
| | - | (15,670,000) | - | - | - | (15,670,000) |
| Total | - | 15,670,000 | - | 88,000,000 | - | 103,670,000 |
| | - | (15,670,000) | - | (88,000,000) | - | (103,670,000) |
| Remuneration | | | | | | |
| Mr. P. K. Goenka | - | - | 1,680,000 | 258,000 | 1,680,000 | 258,000 |
| | - | - | (1,680,000) | (10,000) | (1,680,000) | (10,000) |
| Mr. Gaurav Goenka | - | - | 651,840 | 118,440 | 651,840 | 118,440 |
| | - | - | (651,840) | (464,760) | (651,840) | (464,760) |
| Total | - | - | 2,331,840 | 376,440 | 2,331,840 | 376,440 |
| | - | - | (2,331,840) | (474,760) | (2,331,840) | (474,760) |

Notes to financial statements as at and for the year ended 31st March, 2012
30. Leases
Operating lease: Company as lessee

Certain office premises, godown etc are obtained on operating leases. The lease term is for 1-3 years and renewable for further period either mutually or at the option of the Company. There is no escalation clause in the lease agreements. There are no restrictions imposed by lease arrangements. There are no subleases. The leases are cancelable.

| | Year ended 31st March, 2012 (Amount in `) | Year ended 31st March, 2011 (Amount in `) |
|--|---|---|
| Lease payments made for the year | 4,972,727 | 5,148,868 |
| Contingent rent recognized in Statement of Profit & Loss | - | - |
| | <u>4,972,727</u> | <u>5,148,868</u> |

Finance lease: Company as lessee

Fixed Assets include certain Vehicles obtained on finance lease. The year-wise break-up and future obligation towards minimum lease payments of ` 217,120 (` 1,078,458) consisting of present value of lease payments of ` 209,638 (` 1,029,308) and financial charges of ` 7,482 (` 49,150) under the respective agreements as on 31st March, 2012, is given below:

| | Not later than 1 year | | Later than 1 year but not later than 5 years | |
|---------------------------|--|--|---|--|
| | Minimum lease payments (Amount in `) | Present value as on 31st March, 2012 (Amount in `) | Minimum lease payments (Amount in `) | Present value as on 31st March, 2012 (Amount in `) |
| Finance Lease* | | | | |
| Year ended March 31, 2012 | 217,120 | 209,638 | - | - |
| Year ended March 31, 2011 | 861,338 | 819,670 | 217,120 | 209,638 |

*Rate of Interest - 10% - 13%

31. Capital and other commitments

- (a) Uncalled Capital on partly paid shares held as investments ` 493,000 (` 493,000)
 (b) For commitments relating to lease arrangements, please refer note 30

32. Contingent liabilities

| | As at 31st March, 2012 (Amount in `) | As at 31st March, 2011 (Amount in `) |
|---|--|--|
| (a) Demands/claims by various Government authorities and others not acknowledged as debts and contested by the Company: | | |
| Excise Duty | 103,490,634 | 74,800,334 |
| Sales Tax / VAT | 11,637,725 | 11,637,725 |
| Others* | 113,140,629 | 113,140,629 |
| | <u>228,268,988</u> | <u>199,578,688</u> |

Against the above, payments have been made under protest and/or debts have been withheld by respective parties.

10,704,505 9,854,505

(b) Also refer notes 33 and 34(c) below.

*includes ` 112,857,429 (` 112,857,429) being claim from an overseas customer M/s. California Pacific Trading Corp., who had claimed interest, damages and other compensation for materials supplied to them by the Company in earlier years. The above claims were refuted by the Company since the materials had been shipped only after inspection by the representatives of the overseas party. However, a District Court in US passed an order for payment of damages by the Company to the extent of US\$ 2,257,147 equivalent to ` 112,857,429 plus interest thereon as damages, loss of profit, etc, suffered by the overseas party. The writ petition filed by the overseas party to

Notes to financial statements as at and for the year ended 31st March, 2012

wind up the Company under the provisions of the Companies Act, 1956 for non-payment of above dues has been dismissed by Hon'ble Guwahati High Court by its order dated May 02, 2011 and thus no liability may accrue to the Company on this account.

33. No provision against demand from a lender amounting to ₹ 321,037,000 towards principal and interest on withdrawal of One Time Settlement (OTS) entered in earlier years, due to alleged non fulfillment of agreed conditions by the Company, has been made in the accounts since the above amount is not payable by the Company and the Company has also been legally advised that the above demand is not tenable. Against the above, ₹ 3,110,000 and ₹ 818,240 is being carried forward in the books under the heads Long term borrowings and Interest accrued and due respectively as per the said OTS. Further, the above lender had filed a petition for winding up of the Company before the Hon'ble Calcutta High Court which has been dismissed by the Hon'ble High Court vide its order dated November 14, 2011.
34. (a) The Company had filed a scheme of arrangement in an earlier year, u/s 391-394 read with section 78, 100 to 104 of the Companies Act, 1956 with the Hon'ble Guwahati High Court which envisages reduction of capital, conversion of debt into equity and restructuring of certain assets and liabilities of the Company with effect from 1st Day of March, 2008. Pending approval of the Hon'ble High Court of Guwahati, the effect of reduction in Share Capital and conversion of portion of a Debt into Equity has not been given in the books of account. However, the effect of restructuring of Assets and Liabilities has already been given in accounts in earlier years.
34. (b) No interest has been provided on loans/debentures amounting to ₹ 417,140,000 which are proposed to be converted into equity in terms of scheme of arrangement filed with the Hon'ble High Court of Guwahati under section 391-394 of the Companies Act, 1956 whose approval is pending as on date as stated above.
34. (c) Out of the above amount of ₹ 417,140,000 certain lenders whose dues as on the Balance Sheet date stands at ₹ 70,300,000 have recalled their loans and have also demanded interest amounting to ₹ 34,090,685 (including ₹ 8,436,000 for the year). In addition to above, they have also demanded overdue interest and liquidated damage charges amounting to ₹ 17,088,575. Further, the said lenders have filed petitions for winding up of the Company for non payment of their dues under the relevant provisions of the Companies Act, 1956. The Company has also filed a suit against the above lenders for specific performance and the matter is pending before Hon'ble Kolkata High Court and in the opinion of the management, no amount towards interest including overdue interest or liquidated damages is payable. Pending the High Court decision, no interest liability as stated above, has been provided in these accounts.
35. As at the Balance Sheet date, the net-worth of the Company has become negative, since the accumulated losses of the Company stands at ₹ 3,772,559,019 as compared to the Shareholders fund of ₹ 575,645,589 (excluding revaluation reserve of ₹ 111,528,209). The Company has made a reference to the Hon'ble Board for Industrial & Financial Reconstruction (BIFR) pursuant to the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 and it has since been permitted to be registered u/s 15(1) of Sick Industrial Companies (Special Provisions) Act, 1985.
- Consequently, a revival plan would be formulated by the operating agency in due course under the BIFR Act and the Company is hopeful of working out a scheme for its rehabilitation. Further, the Company is in the process of resolving certain disputes/litigation in its favour, which are more fully discussed in Notes 33 and 34 (c) above. Considering the above, these financial statements have been drawn up as per the going concern assumption, which is appropriate in the opinion of the management.
36. There had been a pest attack on a large number of trees at various sites of the Company's Agro Forestry during the year 2010-11 which had caused significant damage to the timber plantation. Impairment loss of ₹ 453,822,199 was provided for in the previous year based on management estimate, pending assessment by an external valuer. Further impairment loss of ₹ 759,734,436 based on market value determined on the basis of price prevailing in the local market of above timber plantation, has been provided during the year on completion of assessment by the external valuer. As advised by the said valuer, the management intends to sale the above timber plantation during the next year (2012-13) and accordingly the resultant value of above timber plantation has been considered as Current Assets and transferred to Inventory.
37. During the year, the department of Central Excise has raised a demand of ₹ 100,154,306 (including interest & penalty) towards excise duty on prelaminated Particle Board relating to earlier years on disposal of department's appeal on classification issue by the Hon'ble Supreme Court vide its order dated 7th September, 2011. Although, the Company has filed a revision petition against the above demand with the Hon'ble Supreme Court, the above demand, as a matter of prudence, has been provided in the books of accounts.
38. The Company has received a notice of default dated January 13, 2012 from its lender namely India Debt Management Private Limited (IDM) for occurrence of certain alleged defaults as per Debenture Subscription Agreement dated March 14, 2008 and subsequently, the above lender has recalled the total principle amount of ₹ 1,200,000,000 along with interest, redemption premium, default interest and all other outstanding dues towards the Debentures subscribed by them along with interest @10% p.a. on such aggregate amounts from March 15, 2012 till payment thereof. However, the Company has disputed and denied these alleged defaults/recall notice, which in the opinion of the management is not only barred by time but is also malafide and contrary to the terms of the debenture subscription agreement. The Company has also filed a Civil Suit before the Hon'ble Calcutta High Court inter alia raising a claim of ₹ 2,910,000,000 against IDM on account of damages caused to the agro forestry of the Company which is pending adjudication.

Notes to financial statements as at and for the year ended 31st March, 2012

In view of the pending disputes which are sub-judicial, no provision has been made for interest and redemption premium amounting to ` 100,000,000 and ` 268,788,913 respectively on the above debentures on and from 1st April, 2011.

39. Deferred tax asset (net) amounting to ` 1,302,390,998 (` 1,473,043,127), as detailed below, has not been recognized in these accounts in view of the accounting policy specified in 1.1 (o) above.

| | As at 31st March, 2012 (Amount in `) | As at 31st March, 2011 (Amount in `) |
|--|--|--|
| Deferred Tax Asset | | |
| Carry Forward Business Losses and Unabsorbed Depreciation. | 1,288,884,099 | 1,470,611,507 |
| Expenses allowable against taxable income in future years. | 41,050,035 | 34,055,310 |
| Total (A) | 1,329,934,134 | 1,504,666,817 |
| Deferred Tax Liability | | |
| Timing difference in depreciable assets. | 27,543,136 | 31,623,690 |
| Total (B) | 27,543,136 | 31,623,690 |
| Deferred Tax Asset (Net) | Total (A-B) | 1,302,390,998 |
| | | 1,473,043,127 |

40. Based on the information/documents available with the Company, no creditor is covered under The Micro, Small and Medium Enterprises Development Act, 2006. As a result, no interest provisions/payments have been made by the Company to such creditors, if any, and no disclosures thereof are made in these accounts.

41. Value of imports calculated on CIF basis (including through canalising agencies):

| | Year ended 31st March, 2012 (Amount in `) | Year ended 31st March, 2011 (Amount in `) |
|---------------|---|---|
| Raw materials | - | 778,145 |
| | - | 778,145 |

42. Expenditure in foreign currency (accrual basis)

| | Year ended 31st March, 2012 (Amount in `) | Year ended 31st March, 2011 (Amount in `) |
|---------------------------------|---|---|
| Travelling | 45,172 | 532,729 |
| Professional & Consultancy fees | - | 503,967 |
| | 45,172 | 1,036,696 |

Notes to financial statements as at and for the year ended 31st March, 2012
43. Imported and indigenous raw materials & components and spare parts consumed

| | %age of total consumption 31st March, 2012 | Amount (` in lacs) 31st March, 2012 | %age of total consumption 31st March, 2011 | Amount (` in lacs) 31st March, 2011 |
|-----------------------|--|---|--|---|
| Raw Materials | | | | |
| Imported | - | - | - | - |
| Indigenously obtained | 100.00% | 171,169,652 | 100.00% | 223,469,852 |
| | 100.00% | 171,169,652 | 100.00% | 223,469,852 |
| Stores & Spare parts | | | | |
| Imported | - | - | - | - |
| Indigenously obtained | 100.00% | 5,709,161 | 100.00% | 8,728,661 |
| | 100.00% | 5,709,161 | 100.00% | 8,728,661 |

44. Previous year figures

Previous year's figures including those given in brackets have been rearranged where necessary to confirm to the current year's classifications under revised Schedule VI as stated in note 1.1 (a) above.

As per our report of even date



For S. R. Batliboi & Co.
Firm Registration No. : 301003E
Chartered Accountants



per R. K. Agrawal
Partner
Membership No. 16667

Place : Kolkata
Date : 30th May, 2012

For and on behalf of the Board of Directors

P. K. Goenka
Chairman & Managing Director

Gaurav Goenka
Whole Time Director &
Officiating CFO

Shabnum Zaman
Company Secretary

OUR NETWORK

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e-mail: corporate@kitply.com

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email: mrgunit@kitply.com

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email : raipur@kitply.com

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email: rampur@kitply.com



KITPLY INDUSTRIES LIMITED

Regd. Office : Makum Pathar, A.T.Road, Margherita - 786181 (Assam)

ATTENDANCE SLIP

Members attending the Meeting in person or by Proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall.

I hereby record my presence at the 29th Annual General Meeting of the company at Makum Pathar, A.T. Road, Margherita - 786181 (Assam) at **10.00 a.m. on Friday, the 21st September, 2012.**

.....
Full name of the Member (in Block Letters) **Signature**

Folio No...... **DP ID No*** **Client ID No.***

* Applicable for member holding shares in electronic form.

.....
Full name of the Member (in Block Letters) **Signature**

- Notes :**
1. Member/Proxy holder wishing to attend the meeting must bring the Attendance Slip to the meeting.
 2. Member/Proxy holder desiring to attend the meeting should bring his copy of the Annual Report for reference at the meeting.

KITPLY INDUSTRIES LIMITED

Regd. Office : Makum Pathar, A.T. Road, Margherita - 786181 (Assam)

PROXY FORM

Ledger Folio No./DP.ID. No...... **No. of Shares**

I / We

ofbeing a Member / Members

of **Kitply Industries Ltd.** do hereby appoint.....

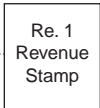
..... of

or failing him/ her of

.....as my/our Proxy

in my / our absence to attend and vote for me / us, and on my / our behalf at the **29th** Annual General Meeting of the Company, to be held at **10.00 a.m. on Friday, the 21st September, 2012** and at any adjournment thereof.

As Witness my / our hand/hands thisday of 2012



Signed by the Said

Note : The proxy form must be deposited at the Registered Office or at the Administrative Office of the Company **not less than 48 hours before** the time for holding the Meeting.

Proxy Back
Blank

3rd Cover Blank

BOOK POST



If undelivered, please return to :

KITPLY INDUSTRIES LIMITED

Corporate Office :

"White House", Block - A, 4th Floor
119, Park Street, Kolkata - 700 016