CALS

27th Annual Report 2010- 2011

CALS REFINERIES LIMITED

CORPORATE INFORMATION

BOARD OF DIRECTORS

MR. SARVESH KUMAR GOORHA	DIRECTOR
MR. B. SRINIVASA RAO	DIRECTOR
DR. ALEXANDER WALTER SCHWEICKHARDT	DIRECTOR (Appointed on March 28, 2011)
MR. DEEP KUMAR RASTOGI	EXECUTIVE CHAIRMAN
MR. D. SUNDARARAJAN	MANAGING DIRECTOR (Appointed on February 5, 2011)

VICE PRESIDENT (LEGAL) & COMPANY SECRETARY
MR. SANJAY KUMAR JAIN

BANKERS
AXIS BANK LIMITED

AUDITORS
M/S. WALKER, CHANDIOK & CO., NEW DELHI
M/S. ARUN K. GUPTA & ASSOCIATES, NEW DELHI

CORPORATE OFFICE
326, UDYOG VIHAR PHASE IV, GURGAON – 122015, HARYANA

REGISTERED OFFICE
21, BASANT LOK COMPLEX, VASANT VIHAR, NEW DELHI – 110057

REGISTRAR & SHARE TRANSFER AGENTS
MCS LIMITED,
F-65, OKHLA INDUSTRIAL AREA PHASE I,
NEW DELHI 110 020

LISTING OF SECURITIES

THE BOMBAY STOCK EXCHANGE
PHIROZE JEEJEEBHOY TOWERS
25TH FLOOR, DALAL STREET,
MUMBAI - 400 001

LUXEMBOURG STOCK EXCHANGE, (GDR)
11, AVENUE DE LA PORTE-NEUVE, L-2227
LUXEMBOURG

CONTENTS

NOTICE

NOTICE IS HEREBY GIVEN that the 27th Annual General Meeting of Cals Refineries Limited will be held on Tuesday, September 27, 2011 at 10.30 a.m. at Executive Club, Dolly Farms & Resorts 439, Village Shahurpur, P.O. Fatehpur Beri, New Delhi 110 074, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as on March 31, 2011 together with the reports of Directors' and Auditors' thereon.

2. To reappoint Mr. B. Srinivasa Rao who retires by rotation and being eligible offers himself for reappointment.

3. To reappoint auditors and fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and all other applicable provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), and relevant provisions of the Memorandum and Articles of Association of the Company, and in accordance with listing agreement entered into by the Company with the Stock Exchanges where the shares of the Company are listed or proposed to be listed and subject to the approval of Securities and Exchange Board of India (hereinafter referred to as "SEBI"), Reserve Bank of India (hereinafter referred to as "RBI"), and subject to the Company obtaining all approvals, consents, permissions and sanctions as may be required from any and/or all governmental or regulatory authorities and/or all other institutions and bodies including Banks provided that such sanctions are acceptable to the Board of Directors of the Company (hereinafter referred to as the Board, which term shall be deemed to include any Committee of Directors constituted by the Board and authorised for this purpose), the consent and the approval of the Company be and is hereby accorded to the Board to create, offer, issue and allot any securities including Equity Shares/Preference Shares/Convertible Debentures/Global Depositary Receipts (GDRs) and/or American Depositary Receipts (ADRs)/ Foreign Currency Convertible Bonds (FCCB) convertible into equity shares, preference shares whether Cumulative/ Redeemable/Convertible at the option of the Company and/or the option of the holders of the security and/or securities linked to equity shares/ preference shares and/or any instrument or securities representing convertible securities such as convertible debentures, bonds or warrants convertible into depositary receipts underlying equity shares/preference shares, (hereinafter referred to as the "Securities") on preferential basis for an aggregate sum of US $ 7.0 million or equivalent in Indian and/or any other currency(ies) to be subscribed by Abboro Limited, an affiliate of Hardt Group, a strategic investor of the Company, in one or more tranches, of the face value of ` 1 (Rupee one) at par for cash as the price calculated in accordance with the Regulations for Preferential Issue issued by SEBI under Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, is less than the face value of the share.

RESOLVED FURTHER THAT all the new securities as and when allotted in terms of this resolution, on conversion into equity shares shall rank pari passu in all respects, with the existing Equity Shares of the company and necessary measures be taken to seek the listing of such new Equity Shares on all the Stock Exchanges where the Company's shares shall continue to be listed and necessary application be made with National Securities Depository Limited, Central Depository Services (India) Limited and other authorities, if any, for executing Corporate Action and such other actions, as may be required in this connection from time to time.

RESOLVED FURTHER THAT subject to SEBI Regulations and other applicable laws, the Board be and is hereby authorised to decide and approve terms and conditions of the issue of above mentioned Equity Shares and to vary, modify or alter any of the terms and conditions, including size of the issue, as it may deem expedient.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board and/or its duly authorised Committee, in their absolute discretion be and are hereby authorised, to take all such steps and do all such acts, deeds, matters and things, as the Board may deem fit and proper or desirable and necessary and to settle any question or doubt that may arise in regard to offer, issue and allotment of the new Equity Shares and that the Board is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Directors or Chairman of the meeting at which the Committee is or may be formed or to any of the principal officers of the Company/authorised representative in order to give effect to the aforesaid resolution."

By Order of the Board of Directors

New Delhi
August 10, 2011

(Sanjay Kumar Jain)
Vice President (Legal) & Company Secretary

NOTES

1. A member entitled to attend and vote at this Annual General Meeting may appoint a proxy to attend and vote on a poll on his behalf. A proxy need not be a Member of the Company. Proxies in order to be effective must be received at the Registered Office of the Company at 21, Basant Lok Complex, Vasant Vihar, New Delhi - 110 057 not less then 48 hours before this Annual General Meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, September 20, 2011 to Tuesday, September 27, 2011 (both days inclusive).
3. The members are requested to:
   a. bring their copy of Annual report at the Annual General Meeting.
   b. I **In case shares are held in physical form:** notify immediately the change of address, if any, to the Company at 21 Basant Lok Complex, Vasant Vihar, New Delhi - 110 057 or to the Registrar and Share Transfer Agent of the Company, MCS Limited, F 65, 1st Floor, Okhla Industrial Area Phase I, New Delhi-110 020 quoting their folio number.

      II **In case shares are held in dematerialized form:** notify to their depository participants, change/ correction in their address/bank account particulars etc. as the Company uses the information provided by Depositories in respect of shares held in dematerialized form.
   c. send, in case of those members who have multiple accounts in identical names or joint names in same order, all the share certificates to the Registrar and Share Transfer Agent of the Company, MCS Limited at the aforesaid address for consolidation of all such shareholdings into one account to facilitate better service.
4. Members/proxies should bring the attendance slip duly filled in for attending the Meeting.
5. All the documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on all days except Saturday, Sunday and Public holidays up to the date of the Annual General Meeting.

By Order of the Board of Directors

New Delhi
August 10, 2011

(Sanjay Kumar Jain)
Vice President (Legal) & Company Secretary

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 4

In order to meet the requirements of the funds as per the objects detailed below, and subject to applicable laws, it is proposed to issue Equity Shares of ` 1/- each at par for cash on preferential basis for an aggregate sum of US $ 7.0 million or equivalent in Indian and/or any other currency(ies) to Abboro Limited, an affiliate of Hardt Group, a strategic investor of the Company, as per the provisions of the Companies Act, 1956 and Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009. Earlier resolution passed by the Shareholders by means of Postal Ballot on May 2, 2011 for Preferential Allotment to Abboro Limited has lapsed. Out of the envisaged investment of US$ 7 million in the said resolution, Abboro has invested US$ 2.7 million. The present resolution will cater to the balance investment to be received from the investor.

Abboro Limited holds 1.46% equity shares in the Company. The allotment of new shares as aforesaid shall bring their holding to 5.06% of the expanded capital in the Company, thereby the provisions of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, (the "Takeover Code") are not triggered.

The new Equity Shares are proposed to be allotted at par since the price calculated in accordance with Regulation 76 of Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, (the "Regulations"), is below the par value of the shares.

The disclosures required to be given in the Explanatory Statement to this Notice in terms of the Regulations are as under:

(a) Objects of the Issue:

1. to arrange funds required for meeting the working capital requirements of the Company,
2. to meet expenditure for general purposes,

(b) Intention of the proposed allottee to subscribe to the offer:

The proposed allottee has indicated its intention to further subscribe to the proposed Preferential Issue of Equity Shares aggregating to US$ 7.0 million or equivalent in Indian and /or any other currency(ies) i.e. to the extent as proposed in the resolution.

(c) Change of Management:

The allotment would not result in any change in the control or management of the affairs of the Company or in the composition of the Board of Directors of the Company. However, there could be consequential changes in the voting rights/ shareholding pattern in the Company.

(d) Lock in Period

The proposed allotment shall be locked in for 1 year from the date of allotment as per the SEBI (ICDR) Regulations.

(e) Proposed time within which the allotment shall be completed:

The Board proposes to allot the Equity Shares within 15 days from the date of the passing of this resolution or from the date of statutory approval for issue of these securities.

(f) Identity of the proposed allottee and percentage of Post-preferential issue capital that may be held by the strategic investor:

S. No.	Name of Proposed Allottee	No. of Equity Shares	% of Post Preferential Issue Capital
1.	Abboro Limited	315,000,000*	5.06
	Total	**315,000,000**	**5.06**

*The shares have been converted considering 1 US $ equal to ` 45. Number of shares to be allotted shall be limited to the amount actually received by the Company.

(g) Pricing of the Issue:

The price of the new Equity Shares to be allotted to Abboro Limited shall be at ` 1/- per share being face value.

(h) Shareholding Pattern before and after preferential allotment:

SHAREHOLDERS' CATEGORY		
(As at June 30, 2011)	**Before the proposed preferential allotment**	**After the proposed preferential allotment**
	% of shares/total voting capital held	
(A) Promoter and Promoters Group		
Non-Acquirers	2.92	2.81
Total Promoters holding	**2.92**	**2.81**
(B) Public Shareholding		
Acquirer	1.46	5.06
Mutual Funds/UTI	0.00	0.00
Bodies Corporate	9.74	9.49
Public	51.60	49.72
FII/NRI	4.48	4.31
GDR	29.80	28.71
Total Public holding	**97.08**	**97.19**
Total	**100.00**	**100.00**

(i) Auditors' Certificate:

A copy of the Statutory Auditors' Certificate certifying that the present preferential allotment is being made in accordance with the requirements contained in the Regulations for Preferential Allotment under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, will be placed before the Meeting and is kept open for inspection at the Registered Office of the Company on all working days during office hours and will also be available for inspection at the meeting.

All documents referred to in this statement are open for inspection during the working hours up to the date of this meeting.

The Board of Directors accordingly recommends the resolution set out at Item No. 4 of the accompanying Notice for the approval of the Members.

None of the Directors except Dr. Alexander Schweickhardt is, in any way, concerned or interested in the said resolution.

By Order of the Board of Directors

New Delhi **(Sanjay Kumar Jain)**
August 10, 2011 Vice President (Legal) & Company Secretary

NOTES ON DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT AS REQUIRED UNDER CLAUSE 49VI(A) OF THE LISTING AGREEMENT ENTERED INTO WITH THE STOCK EXCHANGES

At the ensuing Annual General Meeting, Mr. B. Srinivasa Rao retires by rotation and being eligible, offers himself for reappointment.

Mr. B. Srinivasa Rao - He is a Graduate Engineer in Chemical and worked with IDBI as General Manager having more than 41 years vast experience in Finance. He is serving as a Director on the Board of SRM Energy Limited and PNR Consulting Private Limited.

The Twenty Seventh Annual Report together with the Audited Statement of Accounts of the Company for the year ended March 31, 2011 is being submitted.

FINANCIAL RESULTS

(` in lakhs)

Particulars	2010-2011	2009-2010
Sales and other Income	-	-
Profit/(Loss) before Depreciation, Interest, Prior Period Expenses	-	-
Less: Interest	-	-
Less: Depreciation	-	-
Less: Prior Period Expenses	-	-
Profit/(Loss) before Tax	-	-
Income Tax	-	-
Liabilities Written Back net	-	-
Profit/(Loss) after Income Tax	-	-
Balance carried forwarded from previous year	**(674.67)**	(674.67)
Net Profit/(Loss) transferred to Balance Sheet	**(674.67)**	(674.67)
EPS (In `)	-	-

DIVIDEND

As the Company is in the process of implementing the refinery project, your Directors have not recommended any dividend.

PROGESS OF THE PROJECT

During the financial year 2010-2011, the Company has made the significant progress in the direction of implementing refinery project. The Company has successfully tied up with Hardt Group, Austria, which is primarily focused in Energy sector, by signing the Assets Purchase Agreements with entities managed by it. The group had invested in used refinery equipments which incidentally when combined with the German refinery bought by the Company can enable it to attain a refining capacity of 10 MMTPA.

The total cost of the equipments from Tagore Investments SA is US $ 275,000,000 (US Dollars Two Hundred Seventy Five Million only). The total cost of the equipments from Amber Energy SA is US $ 142,000,000 (US Dollars One Hundred Forty Two Million only). The aggregate cost of both the refineries amounting to US $ 417,000,000 (US $ Four Hundred Seventeen Million only), will be paid as under:

1. US $ 317,000,000 (US Dollars Three Hundred Seventeen Million only) by way of issue of Global Depository Receipts of equivalent amount to the suppliers of the equipments viz. Amber Energy SA, Panama (US $ 142 mn) and Tagore Investments SA, British Virgin Islands (US $ 175mn).

2. US $ 100,000,000 (US Dollars One Hundred Million only) in Cash after achieving financial closure for the project.

The application to the Central Government has been made for issue of equity in the form of Global Depository Receipts (GDR) against purchase of refinery equipments under the said Assets Purchase Agreements.

Hardt group has subscribed to the Equity of the Company to the tune of US $ 2.7 million by means of preferential allotment and is expected to invest further to take care of some of the working capital requirements. The Company also made the preferential allotment to Nyra Holdings Private Limited, a promoter group Company.

Simultaneously, the Contract for Purchase and sale of Assets related to a decommissioned 90000 bpd Oil Refinery with Lohrmann International GmbH was renegotiated modifying the scope of work, purchase consideration and payment schedule. However as the Company was not able to meet the payment deadlines, the contract was cancelled. But, the Company is still trying its best to get alternate payment options so that the Company doesn't lose the equipment.

The Ministry of Environment and Forests (MOEF) has been approached for obtaining approval for the upward revision in capacity from 5 MMTPA to 10 MMTPA. The Company has also requested West Bengal Government for extension of time for payment of consideration for sub leased land and extension of fiscal incentives for enhanced capacity of the project. WBIDC has extended the time till September 30, 2011 but the Company has requested it to extend till March 31, 2012 which is receiving their attention.

Hardt group is trying to get offers for EPC contract from some of the renowned European contractors and it is likely to be concluded soon. Chemtex Global Engineers Private Limited which prepared the Detailed Feasibility Report for the lenders earlier is presently updating the report for the enhanced capacity of 10 MMTPA.

DIRECTORS

Mr. B. Srinivasa Rao retires by rotation as required under the Companies Act, 1956 and being eligible, offers himself for reappointment.

FIXED DEPOSITS

Company has not accepted any deposit under section 58A of the Companies Act, 1956, during the financial year under review.

CORPORATE GOVERNANCE

The Company has complied with the mandatory provisions of Corporate Governance as prescribed in the Listing Agreement with the Stock Exchanges. A separate report on Corporate Governance is included as a part of the Annual Report along with the Certificate on its compliance.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to the Directors' Responsibility Statement, the Directors confirm on the basis of information placed before them by the Management and Auditors: -

1. That in the preparation of the annual accounts for the financial year ended March 31, 2011 the applicable Accounting Standards have been followed;

2. That the Company has selected appropriate accounting policies and applied them consistently and made judgement and estimates that were reasonable and prudent so as to give a true and fair state of the affairs of the Company at the end of the financial year under review;

3. That the Company has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

4. That the accounts of the Company for the financial year ended March 31, 2011 has been prepared on a going concern basis.

CODE OF CONDUCT

The Code of Conduct, as adopted by the Board of Directors, is applicable to all Directors, Senior Management and Employees of the Company. This Code is based on fundamental principles, viz. good corporate governance and good corporate citizenship. The Code covers Company's commitment to sustainable development, concern for occupational health, safety and environment, a gender friendly workplace, transparency and auditability and legal compliance.

AUDITORS' REPORT

With regard to the qualification in the Auditors' Report read together with Annexure referred to in Paragraph 3 of the Auditors' Report, the explanation is as under:

Since the Company is setting up a refinery project, the exchange differences, interest on outstanding statutory dues and certain indirect expenses not directly attributable to construction have been taken in the statement of Pre-operative Expenses, which forms part of Capital Work in Progress. The above accounting treatment is in accordance with the clarification given by the Department of Company Affairs (Letter No. 2/17/64-PR, dated 29-1-1964). However, at the time of allocation of Pre-operative Expenses to the respective assets on commissioning of the project, these foreign exchange gain/loss and other indirect expenses not directly attributable to construction shall not be capitalized.

Based on the opinion from an independent eminent lawyer and in the light of certain court judgements, certain services, rendered by foreign suppliers mainly in connection with the purchase of plant and machinery, have been considered to be part of supply of plant and machinery and the Company has been advised that there would be no liability on account of tax deducted at source and service tax. Accordingly, service tax and tax deducted at source amounting to ` 5,437,653 and ` 6,001,848 respectively has been derecognised in the financial statements and interest cost for non payment of the tax deducted at source for the period from January 1, 2011 to March 31, 2011 amounting to ` 218,407 has not been provided for in the financial statements.

Further, in the light of certain court judgements and in line with the Company's position in its income tax returns for the previous years, the interest income earned in those years has been considered to be capital in nature and accordingly the provision for income tax (including of interest thereon) created in respect thereof amounting to ` 56,165,790 in those years has been derecognized in the financial statements for the year ended March 31, 2011 and also the interest thereon for the period from January 1, 2011 to March 31, 2011 amounting to ` 2,389,182 has not been provided for in the financial statements.

AUDITORS

The Company's Auditors M/s. Walker, Chandiok & Co., Chartered Accountants, New Delhi and M/s. Arun K. Gupta & Associates, Chartered Accountants, New Delhi, retire at the forthcoming Annual General Meeting and are eligible for re-appointment. M/s. Walker, Chandiok & Co., Chartered Accountants, New Delhi and M/s. Arun K. Gupta & Associates, Chartered Accountants, New Delhi have submitted the certificate under Section 224(1B) of the Companies Act, 1956 confirming that their appointment as joint Statutory Auditors, if made, shall be in accordance with the said section.

MANAGEMENT DISCUSSION & ANALYSIS

The Management Discussion & Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement is presented in a separate section forming part of the Annual Report.

LISTING OF SECURITIES

Your Company's securities are currently listed with Bombay Stock Exchange. The Company's Global Depository Receipts (GDRs) are listed at Luxembourg Stock Exchange. The Company has paid the listing fees to Bombay Stock Exchange and Luxembourg Stock Exchange for the financial year 2011-2012 and Calendar Year 2011 respectively.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION

The prescribed details as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable to our type of Company.

PARTICULARS OF THE EMPLOYEES

There is no employee drawing the salary as prescribed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

FOREIGN EXCHANGE

The details of the foreign exchange earnings and out go during the year have been given in the schedules to the accounts.

ACKNOWLEDGEMENT

The Directors have pleasure in recording their appreciation of the assistance extended to the Company by various officials of Central Government, State Government and participating financial Institutions. The Directors would like to express their appreciation of the co-operation extended by the Company's bankers and employees.

For and on behalf of the Board

New Delhi
August 10, 2011

(Deep Kumar Rastogi)
Executive Chairman

To

The Members of Cals Refineries Limited,

We have examined the compliance of conditions of Corporate Governance by Cals Refineries Limited, for the year ended on March 31, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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 state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Share Transfer cum Shareholders'/Investors' Grievance Committee.

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.

M.V. Sreenivas & Associates
Company Secretaries

(M.V. Sreenivas)
New Delhi **Proprietor**
August 10, 2011 **Membership No. 2342**
CP No. 2771

The Company is in compliance with clause 49 of its listing agreements with the Stock Exchange and the Indian corporate governance rules applicable to it.

From March 31, 2001 various corporate governance provisions became applicable to all members of the BSE 200 and the S&P, C&X and Nifty indices, as well as to all newly listed companies. In March 2002, this requirement was extended to companies with paid up capital of over ` 100,000,000 all of which have had a net worth of over ` 250,000,000. In March 2003 the capital threshold was reduced to ` 30,000,000. All companies are required to submit quarterly compliance reports to the stock exchanges on which their shares are listed within 15 days of the end of each financial quarter, including reports on the following areas:

1. Company's Philosophy on Code of Governance

The Company believes that good Corporate Governance practice ensures the attainment of the highest levels of transparency, accountability and equity in all facets of its operations and in all its interactions with its stakeholders, including shareholders, employees, the government and the lenders.

We believe in implementing the philosophy of Corporate Governance in letter and spirit.

2. Board of Directors

The Board of Directors consists of 5 Directors.

Composition and category of Directors is as follows:

Category	Name of the Directors
Promoter Director	Mr. Deep Kumar Rastogi Mr. Ravi Chilukuri *
Non Executive and Independent Directors	Mr. M.S. Ramachandran # Mr. Sarvesh Kumar Goorha Mr. B. Srinivasa Rao Dr. Alexander Walter Schweickhardt •
Executive Directors	Mr. Ramesh Bhosale @ Mr. Manabendra Guha Roy ® Mr. D. Sundararajan $

*Resigned w.e.f. January 24, 2011

@ Resigned w.e.f. January 17, 2011

• Appointed w.e.f. March 28, 2011

Resigned w.e.f. February 5, 2011

® Resigned w.e.f. January 14, 2011

$ Appointed w.e.f. February 5, 2011

Attendance of each Director at the Board Meetings, last Annual General Meeting and Number of other Directorship and Chairmanship/Membership of Committee of each Director in various companies including the Company:

Name of The Director	Attendance Particulars		No. of other directorships and committee membership/chairmanship		
	Board Meeting	Last AGM	Other Directorships	Committee Memberships	Committee Chairmanships
Mr. Sarvesh Kumar Goorha	7	Yes	2	5	3
Mr. M.S. Ramachandran	5	Yes	5	3	-
Mr. Ramesh Bhosale	5	Yes	-	-	-
Mr. Ravi Chilukuri	2	-	2	-	-
Mr. Manabendra Guha Roy	5	Yes	-	-	-
Mr. Deep Kumar Rastogi	8	Yes	9	3	-
Mr. B. Srinivasa Rao	6	Yes	2	5	3
Mr. D. Sundararajan*	1	-	5	2	1
Dr. Alexander Walter Schweickhardt @	-	-	6	5	-

* Appointed w.e.f. February 5, 2011 @ Appointed w.e.f. March 28, 2011

Number of Board Meetings held and the dates on which held

During the year, eight Board Meetings were held on April 27, 2010, June 14, 2010, July 28, 2010, October 20, 2010, December 3, 2010, January 24, 2011, February 5, 2011 and March 28, 2011.

3. Audit Committee

The terms of reference stipulated by the Board to the Audit Committee are, as contained under Clause 49 of the Listing Agreement, as follows:

a. To oversee financial reporting and disclosure process.

b. To recommend the appointment and removal of statutory auditors and decide their remuneration.

c. To review financial results and statements, before submission to the Board, focus primarily on-
- Any change in accounting policies and practices.
- Major accounting entries, based on exercise of judgment by the Management.
- Qualifications in the draft audit report.
- Significant adjustments arising out of the audit.
- Going Concern assumption.
- Compliance with Accounting Standards.
- Compliance with Stock Exchange and legal requirements concerning financial statements.
- Any related party transactions i.e. transactions of the Company of a material nature, with Promoters or the Management, their subsidiaries or relatives, etc. that may have potential conflict with larger interests of the Company.

d. To oversee adequacy of internal control systems.

e. Reviewing adequacy of internal audit function, coverage and frequency of internal audit report.

f. Discussion with internal and concurrent auditors on any significant findings in their reports and follow up thereon.

g. Discussion with external auditors before audit commences, as regards nature and scope of audit, as well as having post audit discussions to ascertain any areas of concern.

h. Reviewing the Company's financial and risk management policies.

During the year, the Committee has met five times on April 27, 2010, June 14, 2010, July 28, 2010, October 20, 2010 and February 5, 2011.

The Board of the Company has reconstituted the Audit Committee, comprising of Mr. B. Srinivasa Rao, Mr. Sarvesh Kumar Goorha and Mr. Alexander Walter Schweickhardt which meets with the requirements under Section 292A of the Companies Act, 1956. Mr. B. Srinivasa Rao is the Chairman of Audit Committee.

Attendance of each member at the Audit Committee meeting held during the year.

Name of Committee Member	No. of Meetings held	No. of Meetings attended
Mr. B Srinivasa Rao	5	5
Mr. Sarvesh Kumar Goorha	5	4
Mr. Deep Kumar Rastogi *	5	5
Dr. Alexander Walter Schweickhardt #	-	-

*Ceased to be member w.e.f. February 5, 2011 #Appointed member w.e.f. March 28, 2011

4. Remuneration Committee

The Board has reconstituted the remuneration Committee comprising of Mr. Sarvesh Kumar Goorha, Mr. Alexander Walter Schweickhardt and Mr. B. Srinivasa Rao. Mr. Sarvesh Kumar Goorha chairs the committee. During the year, two meetings of the Committee were held on December 3, 2010 and February 5, 2011.

Attendance of each member at the Remuneration Committee meeting held during the year.

Name of Committee Member	No. of meetings held	No. of meetings attended
Mr. Sarvesh Kumar Goorha	2	2
Mr. Deep Kumar Rastogi *	2	2
Mr. M.S. Ramachandran	2	1
Dr. Alexander Walter Schweickhardt #	-	-

*Ceased to be member w.e.f. February 5, 2011 #Appointed member w.e.f. March 28, 2011

Details of Remuneration paid to the Directors for the year:

The aggregate value of salary and perquisite for the year ended March 31, 2011 to Mr. Manabendra Guha Roy and Mr. Ramesh Bhosale, Whole Time Directors is ` 21.29 Million. Mr. Deep Kumar Rastogi, Executive Chairman and Mr. D. Sundararajan, Managing Director, have opted not to take any managerial remuneration.

The Company pays sitting fees to all Non Executive Directors. The sitting fees paid for the year ended March 31, 2011, to the Directors are as follows:

Name of Director	Sitting Fees (`)
Mr. M.S. Ramachandran	120,000/-
Mr. B. Srinivasa Rao	205,000/-
Mr. Sarvesh Kumar Goorha	165,000/-

5. Share Transfer Cum Shareholders'/Investors' Grievance Committee

The Board of the Company has reconstituted Share Transfer cum Shareholders'/Investors' Grievance Committee, comprising of Mr. Sarvesh Kumar Goorha and Mr. Deep Kumar Rastogi. The members of the Committee have opted not to take the sitting fees for Share Transfer Cum Shareholders'/Investors' Grievance Committee meetings. Mr. Sarvesh Kumar Goorha is the Chairman of the Committee.

The Committee, inter-alia, approves issue of duplicate certificates and oversees and reviews all matters connected with the securities transfers.

The Company has received 10 complaints from the shareholders and all of them have been resolved by furnishing requisite information/documents. There was no complaint pending as on March 31, 2011.

The Board has designated Mr. S.K. Jain, Company Secretary, as the Compliance Officer.

6. General Body Meetings

Location and time for last 3 Annual General Meetings were:

Year	Venue	Date	Time
2009-2010	Executive Club, Dolly Farms & Resorts, 439, Village Shahurpur, P.O. Fatehpur Beri, New Delhi 110 074	28.07.2010	10.30 a.m.
2008-2009	Executive Club, Dolly Farms & Resorts, 439, Village Shahurpur, P.O. Fatehpur Beri, New Delhi 110 074	16.09.2009	10.30 a.m.
2007-2008	Daffodils, Tanya Farm Complex, Chattarpur Mandir Road, New Delhi - 110 074	29.07.2008	10.30 a.m.

In the last three financial years, special resolutions as set out in the schedule below were passed by the Members of the Company either in AGM/EGM or through Postal Ballot:

- **2010 - 2011 : 1 Special Resolution passed**

  AGM (July 28, 2010)
  Preferential Allotment of 188,800,000 equity shares of ` 1/-each to Nyra Holdings Private Limited, at par, under Section 81(1A) of Companies Act, 1956.

- **2009 - 2010 : 1 Special Resolution Passed**

  AGM (September 16, 2009)
  Appointment of Mr. Ramesh Bhosale as Whole Time Director designated as Chief Finance Officer for a term of five years w.e.f. February 1, 2009 as per the terms and conditions set out in the respective notice of the AGM

- **2008 - 2009 : 2 Special Resolutions Passed**

  AGM (July 29, 2008)
  No Special Resolution was Passed
  Postal Ballot (June 27, 2008)
  Change in control in management of the Company pursuant to Regulation 12 of SEBI Takeover Regulations.

  Postal Ballot (December 27, 2008)
  Approval of the issue of global depository receipts of additional US $ 500 million under section 81(1) (A) of CA 1956

- **2007 - 2008 : 12 Special Resolutions Passed**

  AGM (September 12, 2007)
  Alteration in the name of the Company
  Alteration in the capital clause of the Articles of Association
  Preferential allotment of 101,900 Equity Shares of ` 10/- each to Sarvesh Goorha at par
  Preferential allotment of 870,000 Equity Shares of ` 10/- each to SRM Exploration Pvt. Ltd. at par
  Issue of GDR under Section 81(1)(a) upto US$ 500 million

  Postal Ballot (September 20, 2007)
  Alteration of Clause III of the Memorandum of Association of the Company
  To make investments, give loan/guarantee under Section 372(A) of CA 1956.

  Postal Ballot (February 23, 2008)
  Alteration in the name of the Company
  Alteration in the Capital Clause of the Articles of Association
  Alteration in the Articles of Association
  Appointment of Mr. Manabendra Guha Roy as the Whole Time Director, designated as CEO of the Company
  Delisting from Ahmedabad and Delhi Stock Exchanges

Resolutions Passed by Postal Ballot Notice dated March 28, 2011

7 resolutions were passed through Postal Ballot, details of which are as follows:

Resolution No. 1
Alteration of Article 3 of Capital Clause in Articles of Association.

Resolution No. 2
Issue of Equity shares under Section 81(1A) of the Companies Act, 1956 to Nyra Holdings Private Limited up to ` 60,000,000 at par for cash.

Resolution No. 3
Issue of Equity shares under Section 81(1A) of the Companies Act, 1956 to Abboro Limited up to US $ 7 Million at par for cash.

Resolution No. 4
Issue of Global Depositary Receipts (GDRs) and/or American Depositary Receipts (ADRs)/Foreign Currency Convertible Bonds (FCCB)/QIPs/Others Securities under Section 81(1A) of the Companies Act, 1956 up to US $ 175 million to Tagore Investments S.A. against purchase of refinery.

Resolution No. 5

Issue of Global Depositary Receipts (GDRs) and/or American Depositary Receipts (ADRs)/Foreign Currency Convertible Bonds (FCCB)/QIPs/Others Securities under Section 81(1A) of the Companies Act, 1956 up to US $ 142 million to Amber Energy S.A. against purchase of refinery.

Resolution No. 6
Appointment of Mr. D. Sundararajan, Whole Time Director designated as Managing Director.

Resolution No. 7
Appointment of Mr. Deep Kumar Rastogi, Whole Time Director designated as Executive Chairman.

Postal Ballot Process:

The Postal Ballot Process was undertaken in accordance with the provisions of Section 192A of the Companies Act,1956 read with Companies (Passing of Resolution by Postal Ballot) Rules 2001.

Mr. M.V. Sreenivas, a Practicing Company Secretary, New Delhi was appointed as the Scrutinizer for conducting the Postal Ballot process.

Details of Voting Pattern

Particulars (as per the order mentioned above)	No. of Valid Postal Ballot Forms received	Percentage Votes in favour of the Resolution	Percentage Votes Against the Resolution	Number of Invalid Postal Ballot forms received
Resolution No.1	1974	4.60	0.02	150
Resolution No.2	1974	4.54	0.09	150
Resolution No.3	1974	4.53	0.10	150
Resolution No.4	1974	4.61	0.01	150
Resolution No.5	1974	4.62	0.01	150
Resolution No.6	1974	4.60	0.02	150
Resolution No.7	1974	4.61	0.01	150

Date of Declaration of Results of Postal Ballot:

The Executive Chairman announced the result of Postal Ballot at the Registered Office of the Company on May 2, 2011. All the statutory formalities relating to the changes have been complied with.

7. 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 interest of the Company.

b. **Details of non-compliance by the Company, penalties, and strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets, during the last three years.**

None

8. **Means of Communication**

Quarterly Results

The quarterly results/disclosure are published in Statesman/Pioneer/Business Standard and Jan Satta/Veer Arjun, New Delhi.

The financial results/disclosure are also displayed on www.cals.in.

9. **General Shareholder Information**

9.1 **Annual General Meeting**

(For financial year 2010-2011)

- Date and Time	Tuesday, September 27, 2011 at 10.30 a.m.
- Venue	Executive Club, Dolly Farms & Resorts 439, Village Shahurpur, P.O. Fatehpur Beri, New Delhi 110 074

9.2 Financial Calendar (Tentative and subject to change)

Financial Results/Disclosure for the Quarter ending June 2011	July/August 2011
Financial Results/Disclosure for the Quarter ending September 2011	October/November 2011
Financial Results/Disclosure for the Quarter ending December 2011	January/February 2012
Financial Results/Disclosure for the Quarter ending March 2012	April/May 2012
Annual General Meeting	September 2012

9.3 Books closure date — Tuesday, September 20, 2011 to Tuesday, September 27, 2011 (Both days inclusive)

9.4
- **Listing of Equity Shares, and** — Bombay Stock Exchange Limited (BSE)
Phiroze Jeejeebhoy Towers, Dalal Street,
Mumbai 400 001.
- **Listing of Global Depository Receipts (GDRs)** — Luxembourg Stock Exchange,
11, Avenue de la Porte-Neuve, L-2227
Luxembourg.

9.5 (a) Stock Code
- **Bombay Stock Exchange** — Trading Symbol - CALS REF - 526652
- **Luxembourg Stock Exchange** — CUSIP - 13135M102

(b) Demat ISIN Numbers in NSDL/CDSL for Equity Shares — ISIN No. INE 040C01022

(c) Demat ISIN Numbers in Luxembourg for Global Depository Receipt (GDR) — ISIN No. US13135M1027

9.6 Stock Market Data

Months	BOMBAY STOCK EXCHANGE Share Price (in `)		Volume (No. of Shares)
	High	Low	
April 2010	0.54	0.42	501,742,362
May 2010	0.43	0.27	839,304,768
June 2010	0.37	0.29	646,698,448
July 2010	0.38	0.28	733,631,014
August 2010	0.38	0.30	578,305,427
September2010	0.33	0.27	1,033,905,191
October 2010	0.33	0.27	552,346,577
November 2010	0.38	0.25	668,050,607
December 2010	0.63	0.34	817,741,800
January 2011	0.39	0.31	313,847,451
February 2011	0.36	0.27	221,407,310
March 2011	0.37	0.28	413,354,347

Source: www.bseindia.com

9.7 Registrar and Share Transfer Agent — MCS Limited
F-65, Okhla Industrial Area, Phase I, New Delhi 110 020
E-Mail: admin@mcsdel.com

9.8 Share Transfer System

Presently, the share transfers, which are received in physical form, are processed and the share certificates returned within a period of 15 to 20 days from the date of receipts, subject to the documents being valid and complete in all respects.

9.9 Distribution of shareholding as on March 31, 2011:

Categories	No. of Shares	%
Non Resident Indians/FII	359,388,434	4.42
Financial Institutions/Banks	113,000	0.00
Mutual Funds/UTI	112,000	0.00
Bodies Corporate	983,059,318	12.09
Resident Individuals	4,164,842,398	51.24
Global Depository Receipts (GDR)	2,621,284,850	32.25
Total	**8,128,800,000**	**100.00**

9.10 Dematerialisation of shares and liquidity

Status of Dematerialization of Shares as on March 31, 2011 is as under:

Electronic holdings			Physical holdings			Total	
No. of Beneficial Owners	No. of Shares	%	No. of shareholders	No. of Shares	%	No. of shares	%
182,084	8,113,273,335	99.79	5,968	15,526,665	0.21	8,128,800,000	100

Trading in Equity Shares of the Company is permitted in dematerialised form.

9.11 Outstanding GDR's

The GDR's outstanding as on March 31, 2011 are 52,425,697 representing underlying 2,621,284,850 Equity Shares listed at Luxembourg Stock Exchange.

9.12 Plant Location

Mouza-Debhog, Bhabanipur, Haldia,
Purba Midinipur, West Bengal - 721657

9.13 (i) Investor Correspondence
(For transfer/dematerlisation of shares and any other query related to the shares of the Company)

For shares held in physical form
MCS Limited
F-65, Okhla Industrial Area,
Phase-I, New Delhi - 110020
Phone: 011-41406149/50/51
Fax: 011-41709881
E-Mail: admin@mcsdel.com

For shares held in Demat form
To the depository participant

(ii) Any query on Annual Report

Cals Refineries Limited
Shares Department
326, Udyog Vihar Phase IV,
Gurgaon - 122 015, Haryana
Phone: 0124-4308060/61,
Fax: 0124-4308062
E-Mail : sharesdept@calsrefineries.com

DECLARATION

It is hereby declared that all the Board Members and senior Management of the Company have reaffirmed adherence to and compliance with the 'Code of Conduct' laid down by the Company.

New Delhi
August 10, 2011

(D. Sundararajan)
Managing Director

Global Scenario

The oil refining industry is a global business because crude oil, other feedstock and refined petroleum products can be transported at a relatively low cost by sea and by pipeline and there is worldwide demand for such products.

Global demand for light refined petroleum products has grown faster than refining capacity for those products. The share of the Asia-Pacific region in the world petroleum demand has increased over the years from 23% to a current level of approx. 31%, driven mainly by China and India. This is expected to increase to approx. 50% of global incremental oil demand by 2015.

The average annual oil demand is expected to grow @ 0.9% p.a. till 2030 and the demand is expected to be around 105 mbpd in the year 2030. The maximum demand growth is expected from the Asia-Pacific region fuelled by the demand growth in China followed by India. Out of total investments of around US $ 860 billion expected in the oil refining industry during the period till 2030, major investments amounting to around US $ 320 billion are estimated in the Asia-Pacific region fuelled by strong demand growth.

Geopolitical unrest in the Middle East/North Africa regions has been a major cause for the oil price increase in early 2011, with increasing focus on potential contagion to major oil exporters beyond Libya. Since the oil price spiked in February 2011, refining margins have strongly recovered and remain higher across all regions, driven by strong diesel margins, with Asian margins close to all-time highs.

Refinery outages of around 1.4 MMBPD in Japan have taken away around 350,000 BPD of diesel supply from the domestic market. Prior to the earthquake, Japan's 4.5 MMBPD refining capacity was running at close to 90% with diesel production of around 1.25 MMBPD. Large Asian export-oriented refiners are likely to shift products to Japan, leading to tightening supply in the European market.

Indian Scenario

Oil accounts for 31% of India's total energy consumption and there is unlikely to be any significant scaling down of dependence on these fuels in the next five to ten years. Currently, of the six core industries identified in India, the oil and gas sector has propelled the growth of Indian economy most and the Government is looking for more investors in the sector. India is currently world's fifth biggest energy consumer and the need is continuously growing. India will account for 12.59% of Asia Pacific's regional oil demand by 2014 while providing 10.13% of supply. The present Indian refinery capacity is 185.40 MMT which will further reach to 240.96 MMT by the end of 2011-12. Refinery production (crude throughput) during 2009-10 was 160.03 MMT.

The consumption of petroleum products during 2009-10 were 138.196 MMT (including sales through private imports) an increase of 3.60 per cent over 133.4 MMT during 2008-09, according to the Ministry of Petroleum. India's current petroleum products consumption rate from April 2010 to February 2011 was 128.827 million tonnes (MT), as per the estimates of the Planning and Analysis Cell (PPAC). The major capacities in India are presently concentrated in the Western region while the Northern region faces a shortfall, which is fulfilled by supplies from other regions. India imports around 80% of its crude oil requirement. The country is, however, a net exporter of petroleum products. There has been substantial increase in exports of petroleum products with increased refinery capacity.

India is emerging as the global hub for oil refining having lower capital costs edge over its Asian peers in the ballpark of 25- 50%, also with huge potential to cater to its rising local and regional demand due to various advantages it enjoys like:-

- Large population base with very low per capita per annum oil consumption.
- Rising personal wealth leading to increased demand for consumer goods.
- High reserve of trained & highly skilled manpower at a relatively much lower costs.
- Generally various fiscal benefits being awarded from central / state governments as refinery projects are mega investment projects generating huge employment and regional well being.

Also availability of natural gas to various key sectors like power and fertilizers has freed up naphtha as a feedstock to petrochemical sector. A whopping 42% decline in consumption of naphtha as a raw material for power and fertilizers is observed for year 2009. This naphtha is either consumed by local petrochemical units or exported. The Government of India declared three PCPIR zones in Haldia, West Bengal, Vishakhapatnam-Kakinada, Andhra Pradesh and Dahej, Gujarat. These PCPIR zones will bring huge investment in the refining and petrochemical sector. This will also give fillip to the refining industry as petrochemicals feed-stocks from refinery such as propylene, naphtha and aromatics will fetch good value.

The consumption of middle distillates, the part of the barrel that is most levered to the economic cycle has picked up particularly strongly in recent months, leading to higher global oil demand. Middle distillate product cracks are expected to continue to rise due to strong demand for these products across Asia. Stronger oil demand, delays in new refining capacities in Asia, and widening light-heavy oil price differential going forward provide a further upside to complex refining margins in Asia.

Business & Developments

To meet the supply and demand gap in the eastern sector, your Company is implementing a 10 MMTPA Refinery project at Haldia, West Bengal. As a co-anchor of Haldia, West Bengal PCPIR, your Company can generate value not only by producing Transportation fuels but also by producing valuable petrochemicals feed-stocks like Propylene and Aromatics to the downstream petrochemical units which will be a part of the proposed PCPIR. In addition, your Company will also be in a position to take advantage of the forward looking policies of the State Government. Furthermore, the location of the project in the Eastern region of the country will also give a distinct advantage in catering to the far-east markets, which are likely to face a short supply situation owing to growing demand. As the Company is strategically located in the Eastern part of India, it can cater to local demand as well as the potentially huge demand of neighbouring Asian countries.

To

The Members of

Cals Refineries Limited

1. We have audited the attached Balance Sheet of Cals Refineries Limited, (the 'Company') as at March 31, 2011, and also the Cash Flow Statement for the year ended on that date annexed thereto (collectively referred as the 'financial statements'). 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 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 (the 'Order') (as amended), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (the 'Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

4. Without qualifying our opinion, we draw attention to:

    a) Note 1 of Schedule 11 to the financial statements which indicates the existence of significant uncertainty about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is significantly dependent on its ability to successfully arrange the balance funding and achieve financial closure to fund its refinery project.

    b) Note 2 of Schedule 11 to the financial statements. In view of the mutual non-fulfillment of contractual obligations arising out of the Company's contracts with certain suppliers/contractors, the Company has not accrued liability amounting to ` 5,361,960,970. The ultimate performance of such contractual obligations and their impact on current liabilities cannot presently be determined and no adjustment that may result has been made in the financial statements for the year ended March 31, 2011. Our opinion on financial statements for the year ended March 31, 2010 included an emphasis on the same matter and such items aggregated to ` 5,153,656,980 as on March 31, 2010.

    c) Note 2 of Schedule 11 to the financial statements which indicates that the Company is in the process of negotiating an extension from the supplier for compliance of terms related to supply of plant and machinery and certain process units in respect of its refinery project. The Company has given advances amounting to ` 3,355,930,000 to such supplier in terms of the agreement executed by the Company for the said supply which will not be recoverable if the necessary extension is not granted by the supplier. In view of the ongoing negotiations with the supplier as mentioned above, the ultimate performance of the contractual obligations under the said agreement cannot presently be determined and no adjustment with respect to this advance, that may result, has been made in the financial statements for the year ended March 31, 2011.

    d) Note 2 of Schedule 11 to the financial statements. The Company has given advances amounting to ` 311,400,048 to various suppliers/contractors in terms of the agreements executed by the Company for the implementation of its refinery project. Such advances may not be recoverable in the event of non-fulfillment of the contractual obligations by the Company. The ability of the Company to fulfill its contractual obligations cannot presently be determined and no adjustment with respect to such advances, that may result, has been made in the financial statements for the year ended March 31, 2011. Our opinion on financial statements for the year ended March 31, 2010 included an emphasis on the same matter and such items aggregated to ` 8,360,400,558 as on March 31, 2010.

5. *As more fully explained in Note 13 of Schedule 11 to the financial statements, the Company has derecognized the provision for income-tax, service tax payable and tax deducted at source payable amounting to ` 56,165,790, ` 5,437,653 and ` 6,001,848 respectively and has not accrued interest for non-payment of tax deducted at source and income tax amounting to ` 218,407 and ` 2,389,182 respectively. In our opinion, these amounts should have been recognised as liabilities in the financial statements.*

6. *As more fully explained in Note 18 of Schedule 11 to the financial statements, the Company has included the exchange differences arising on reporting monetary assets and liabilities at closing rate, interest on outstanding statutory dues and certain indirect expenses not directly attributable to construction up to the year ended March 31, 2011 aggregating to ` 837,817,270 in the carrying amount of capital work in progress. In our opinion, these items are revenue in nature and accordingly should be recognized in the Profit and Loss Account. Our audit opinion on financial statements for the year ended March 31, 2010 was qualified on the same matter and such items aggregated to ` 814,931,602 up to the year ended March 31, 2010.*

    We further report that had the observations made by us in paragraph 5 and 6 above been considered, the net profit after tax for the year ended March 31, 2011 would have increased by ` 547,062,100 and the net profit after tax for the year ended March 31, 2010 would have increased by ` 502,958,525, reserves and surplus as of March 31, 2011 would have increased *by ` 614,528,840 and reserves and surplus as of March 31, 2010 would have increased by ` 570,425,264, capital work in progress as of March 31, 2011 would have increased by ` 899,984,884 and capital work in progress as of March 31, 2010 would have increased by ` 814,931,602, current liabilities as of March 31, 2011 would have increased by ` 11,439,501 and current liabilities as of March 31, 2010 would have increased by ` Nil, provisions as of March 31, 2011 would have increased by ` 346,920,936 and provisions as of March 31, 2010 would have increased by ` 311,973,077, loans and advances as of March 31, 2011 would have increased by ` 5,437,653 and loans and advances as of March 31, 2010 would have increased by ` Nil and earnings per share for the year ended March 31, 2011 would have increased by ` 0.07 and earnings per share for the year ended March 31, 2010 would have increased by ` 0.05.*

7. *Subject to our comments in paragraph 5 and 6* above and further to our comments in the Annexure referred to above, we report that:
   a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
   b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   c. The financial statements dealt with by this report are in agreement with the books of account;
   d. On the basis of written representations received from the directors, as on March 31, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;
   e. In our opinion and to the best of our information and according to the explanations given to us, the financial statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act and the Rules framed there under and give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, in the case of:
      i) the Balance Sheet, of the state of affairs of the Company as at March 31, 2011; and
      ii) the Cash Flow Statement, of the cash flows for the year ended on that date

For **Walker, Chandiok & Co.**	For **Arun K. Gupta & Associates**
Chartered Accountants	Chartered Accountants
Firm Registration No: 001076N	Firm Registration No: 000605N
By **B P Singh**	By **Sachin Kumar**
Partner	Partner
Membership No. 70116	Membership No. 503204
Gurgaon	Gurgaon
May 30, 2011	May 30, 2011

ANNEXURE TO AUDITORS' REPORT

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

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

(b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.

(c) In our opinion, a substantial part of fixed assets has not been disposed off during the year.

(ii) The Company does not have any inventory. Accordingly, the provisions of clause 4(ii) of the Order are not applicable.

(iii) (a) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(b) to (d) of the Order are not applicable.

(b) The Company had taken interest-free loan from one company covered in the register maintained under section 301 of the Act. The maximum amount outstanding during the year was ` 187,871,035 and the year-end balance was ` Nil.

(c) In our opinion, the terms and conditions for such loans are not, prima facie, prejudicial to the interest of the Company.

(d) In respect of loans taken, the principal amount and interest amount are payable on demand in accordance with the terms and conditions.

(iv) There are no transactions pertaining to purchase of inventory and sale of goods and services during the year. In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets.

(v) The Company has not entered into contracts or arrangements referred to in section 301 of the Act. Accordingly, the provisions of clause 4(v) of the Order are not applicable.

(vi) The Company has not accepted any deposits from the public within the meaning of sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975. Accordingly, the provisions of clause 4(vi) of the Order are not applicable.

(vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.

(viii) The Company is not presently engaged in production, procuring and manufacturing of crude oil, gases (including Compressed Natural Gas or Liquified Natural Gas and re-gasification thereof) or any other petroleum product and is accordingly not required to maintain cost records as prescribed by the Central Government under notification no G.S.R 686(E) dated October 8, 2002.

(ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service-tax, custom duty, excise duty, cess and other material statutory dues, as applicable, have not been regularly deposited with the appropriate authorities and there have been significant delays in a large number of cases. Undisputed amounts payable in respect thereof, 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 (`)	Period to which the amount relates	Due Date	Date of Payment
Finance Act, 1994 - Service tax	Service tax payable and interest thereon	57,756,586	September 2007 to September 2010	5th of each subsequent month	Not paid

Note: The above table excludes the amounts derecognized and not accrued referred to in paragraph 5 of our report.

(b) There are no dues in respect of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess that have not been deposited with the appropriate authorities on account of any dispute.

(x) In our opinion, the Company's accumulated losses at the end of the financial year are less than fifty per cent of its net worth. Further the Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.

(xi) In our opinion, the company has not defaulted in repayment of dues to a bank. The Company has no dues payable to a financial institution or debenture holders during the year.

(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.

(xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.

(xv) The Company has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause 4(xv) of the Order are not applicable.

(xvi) In our opinion, the Company has applied the term loans for the purpose for which the loans were obtained.

(xvii) In our opinion, no funds raised on short-term basis have been used for long-term investment.

(xviii) The Company has made preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act. In our opinion, the price at which shares have been issued is not prejudicial to the interest of the Company.

(xix) The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.

(xx) The Company has not raised any money by public issues during the year.

(xxi) No fraud on or by the Company has been noticed or reported during the period covered by our audit.

For **Walker, Chandiok & Co.**
Chartered Accountants
Firm Registration No: 001076N

By **B P Singh**
Partner
Membership No. 70116

Gurgaon
May 30, 2011

For **Arun K. Gupta & Associates**
Chartered Accountants
Firm Registration No: 000605N

By **Sachin Kumar**
Partner
Membership No. 503204

Gurgaon
May 30, 2011

BALANCE SHEET AS AT MARCH 31, 2011

	SCHEDULE	AS AT 31.03.2011 (`)	AS AT 31.03.2010 (`)
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	**8,128,800,000**	7,940,000,000
Share application money		**146,827,700**	–
Loan funds			
Secured loan	2A	**–**	340,528
Unsecured loans	2B	**2,500,600**	190,371,635
		8,278,128,300	8,130,712,163
APPLICATION OF FUNDS			
Fixed assets	3A		
Gross block		**921,595,510**	850,774,485
Less: Accumulated depreciation/amortisation		**6,254,277**	12,150,192
Net block		**915,341,233**	838,624,293
Capital work in progress	3B	**7,856,251,233**	7,953,376,015
Current assets, loans and advances			
Sundry debtors	4	**–**	–
Cash and bank balances	5	**22,575,834**	46,930,900
Loans and advances	6	**83,644,363**	207,396,244
		106,220,197	254,327,144
Less :			
Current liabilities and provisions			
Current liabilities	7	**917,175,223**	1,191,243,810
Provisions	8	**624,807**	51,615,806
		917,800,030	1,242,859,616
Net current liabilities		**(811,579,833)**	(988,532,472)
Miscellaneous expenditure (to the extent not written off or adjusted)	9	**250,648,928**	259,777,588
Debit balance of Profit and Loss Account		**67,466,739**	67,466,739
		8,278,128,300	8,130,712,163

SIGNIFICANT ACCOUNTING POLICIES 10

NOTES TO THE FINANCIAL STATEMENTS 11

The schedules referred to above form an integral part of the financial statements

This is the Balance Sheet referred to in our report of even date

For **Walker, Chandiok & Co.**
Chartered Accountants

By **B P Singh**
Partner

For **Arun K. Gupta & Associates**
Chartered Accountants

by **Sachin Kumar**
Partner

For & on behalf of the Board of Directors

Deep Kumar Rastogi
Executive Chairman

D. Sundararajan
Managing Director

Sarvesh Kumar Goorha
Director

Sanjay Kumar Jain
VP (Legal) & Company Secretary

Gurgaon
May 30, 2011

Rekha Sarda
(AVP- Finance)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

		FOR THE YEAR ENDED 31.03.2011 (`)	FOR THE YEAR ENDED 31.03.2010 (`)
CASH FLOW FROM OPERATING ACTIVITIES:	**A.**		
Decrease in loans and advances		**122,567,902**	15,029,756
Decrease in trade and other payables		**(356,597,000)**	(139,719,865)
Cash generated from/ (used in) operating activities		**(234,029,098)**	(124,690,109)
Taxes paid		**(7,480)**	(35,168,798)
Net cash generated from/ (used in) operating activities		**(234,036,578)**	(159,858,907)
CASH FLOW FROM INVESTING ACTIVITIES:	**B.**		
Purchase of fixed assets		**(10,644,602)**	(79,261,304)
Proceed from sale of fixed assets		**5,000**	312,420
Additions/Deletions in capital work in progress		**63,776,317**	128,671,972
Net cash used in investing activities		**53,136,715**	49,723,088
CASH FLOW FROM FINANCING ACTIVITIES:	**C.**		
Proceeds from issue of share capital		**188,800,000**	-
Proceeds from share application money		**146,827,700**	-
Repayment of vehicle loan		**(340,528)**	(251,035)
Decrease in miscellaneous expenditure		**9,128,660**	22,267,361
(Repayment) of/Proceeds from borrowings (net)		**(187,871,035)**	133,671,035
Net cash from financing activities		**156,544,797**	155,687,361
Net decrease in cash and cash equivalents	**(A+B+C)**	**(24,355,066)**	45,551,542
Opening balance of cash and cash equivalents		**46,930,900**	1,379,358
Closing balance of cash and cash equivalents		**22,575,834**	46,930,900
		(24,355,066)	45,551,542

This is the Cash Flow Statement referred to in our report of even date

For **Walker, Chandiok & Co.**
Chartered Accountants

By **B P Singh**
Partner

For **Arun K. Gupta & Associates**
Chartered Accountants

by **Sachin Kumar**
Partner

For & on behalf of the Board of Directors

Deep Kumar Rastogi
Executive Chairman

D. Sundararajan
Managing Director

Sarvesh Kumar Goorha
Director

Sanjay Kumar Jain
VP (Legal) & Company Secretary

Rekha Sarda
(AVP- Finance)

Gurgaon
May 30, 2011

	AS AT 31.03.2011 (`)	AS AT 31.03.2010 (`)
SCHEDULE 1 - SHARE CAPITAL		
Authorised		
20,000,000,000 (Previous year 20,000,000,000) Equity Shares of `1 each	**20,000,000,000**	20,000,000,000
	20,000,000,000	20,000,000,000
Issued Subscribed and Paid up		
8,128,800,000 (Previous year 7,940,000,000) equity shares of ` 1 each	**8,128,800,000**	7,940,000,000
Of the above 2,621,284,850 (Previous year 4,374,139,300) Equity Shares represent 52,425,697 (Previous year 87,482,786) Global Depositary Receipts. Each Global Depositary Receipt represents 50 underlying Equity Shares of ` 1 each.		
	8,128,800,000	7,940,000,000

SCHEDULE 2 - LOAN FUNDS

SCHEDULE 2A - SECURED LOAN		
Vehicle loan from Bank (Secured against hypothecation of specific vehicle)	–	340,528
	–	340,528
SCHEDULE 2B - UNSECURED LOANS		
From director*	**2,500,600**	2,500,600
From others*	–	187,871,035
	2,500,600	190,371,635

(* Repayable on demand)

SCHEDULE 3A - FIXED ASSETS

(`)

Particulars	GROSS BLOCK				ACCUMULATED DEPRECIATION/AMORTISATION				NET BLOCK	
	As At 01.04.2010	Addition	Deletions/ Adjustment	**As At 31.03.2011**	As at 01.04.2010	Depreciation/ Amortisation for the Year	On Deletions	**Up to 31.03.2011**	**As At 31.03.2011**	As At 31.03. 2010
Tangible Assets										
Leasehold land*	813,061,315	92,532,452	-	**905,593,767**	-	-	-	**-**	**905,593,767**	813,061,315
Computers	3,798,284	-	145,288	**3,652,996**	1,166,751	615,702	54,822	**1,727,631**	**1,925,365**	2,631,533
Vehicles	5,265,664	-	-	**5,265,664**	1,109,652	500,238	-	**1,609,890**	**3,655,774**	4,156,012
Office equipments	1,699,428	12,150	318,705	**1,392,873**	590,446	70,189	296,678	**363,957**	**1,028,916**	1,108,982
Building	1,398,600	-	-	**1,398,600**	34,650	22,797	-	**57,447**	**1,341,153**	1,363,950
Furniture and fixtures	2,348,821	-	-	**2,348,821**	573,773	127,492	-	**701,265**	**1,647,556**	1,775,048
Leasehold improvements	22,285,463	-	21,121,739	**1,163,724**	8,050,751	356,880	7,392,609	**1,015,022**	**148,702**	14,234,712
Intangible assets										
Software	916,910	-	137,845	**779,065**	624,169	292,741	137,845	**779,065**	**-**	292,741
GRAND TOTAL	850,774,485	92,544,602	21,723,577	**921,595,510**	12,150,192	1,986,039	7,881,954	**6,254,277**	**915,341,233**	838,624,293
Previous year	755,010,176	100,559,043	4,794,734	850,774,485	3,753,980	10,213,190	1,816,978	12,150,192	838,624,293	751,256,196

* Refer Note 8 of Schedule 11

		AS AT 31.03.2011 (`)		AS AT 31.03.2010 (`)
SCHEDULE 3B (i): CAPITAL WORK-IN-PROGRESS				
Pre-operative expenses pending allocation [Refer Schedule 3B(ii)]		**(444,155,925)**		(451,291,047)
Capital advances towards Project		**8,079,519,800**		8,182,977,577
Consultancy fees		**171,250,248**		177,422,981
Factory building		**49,637,110**		44,266,504
		7,856,251,233		7,953,376,015
SCHEDULE 3B(ii) : PRE-OPERATIVE EXPENSES PENDING ALLOCATION				
Opening Balance		**(451,291,047)**		(627,489,461)
Personnel cost				
Salaries, wages and bonus	**35,144,702**		57,464,930	
Contribution to provident and other funds	**79,702**		1,537,121	
Staff welfare	**196,918**		422,982	
Total		**35,421,322**		59,425,033
General, administrative and selling expenses				
Communication	**1,815,870**		2,072,984	
Legal and professional	**30,126,065**		13,194,050	
Printing and stationery	**1,671,475**		737,838	
Advertisement expenses	**39,680**		102,652	
Repair and maintenance - building	**683,673**		606,405	
Repair and maintenance - others	**51,370**		329,684	
Contractors and security services	**1,483,258**		2,999,754	
Power and fuel	**768,313**		1,948,560	
Guest house related expenses	**-**		50,792	
Loss on sale of fixed assets	**107,493**		25,918	
Leasehold improvement written off	**13,729,130**		2,639,418	
Capital advances written off	**-**		1,752,775	
FCCB expenses written off	**-**		54,053,605	
Balances written (back)/off	**(4,029,959)**		239,019	
Auditor's remuneration	**1,170,000**		1,520,000	
Directors' sitting fees	**490,000**		420,000	
Insurance	**481,835**		526,755	
Rates and taxes	**2,893,955**		8,351,479	
Rent	**9,519,867**		18,830,947	
Travelling and conveyance	**5,085,388**		10,094,596	
Miscellaneous expenses	**165,263**		3,526,792	
Total		**66,252,676**		124,024,023
Finance charges				
Interest- on others	**29,563**		2,992,429	
Interest on outstanding statutory dues/ reversal thereof	**(56,418,317)**		49,138,478	
Bank charges	**31,282**		74,486	
Total		**(56,357,472)**		52,205,393
Depreciation/amortisation		**1,986,039**		10,213,190
Total		**(403,988,482)**		(381,621,822)
Less: Foreign exchange gain (Refer note 18 of Schedule 11)	**284,972**		69,667,513	
Less: Interest- deposit with scheduled bank [Tax deducted at source ` Nil (Previous year ` Nil)]	**35,172**		1,712	
		320,144		69,669,225
TOTAL		**(404,308,626)**		(451,291,047)
Add: Provision for current tax written back	**(39,847,299)**		-	
		(39,847,299)		-
		(444,155,925)		(451,291,047)

	AS AT 31.03.2011 (`)	AS AT 31.03.2010 (`)
SCHEDULE 4 - SUNDRY DEBTORS		
(Unsecured)		
Debt outstanding for a period exceeding six months		
(Considered doubtful)	**4,599,693**	9,416,671
	4,599,693	9,416,671
Less : Provision for doubtful debts	**4,599,693**	9,416,671
	-	-
SCHEDULE 5 - CASH AND BANK BALANCES		
Cash in hand	**21,313**	68,024
Cheque in hand	**-**	1,000,000
Balances with scheduled banks in		
- Current accounts	**22,554,521**	40,862,876
- Deposits accounts	**-**	5,000,000
	22,575,834	46,930,900
SCHEDULE 6 - LOANS AND ADVANCES		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	**3,948,724**	1,204,722
Security deposits	**3,004,300**	4,315,138
Cenvat recoverable	**76,660,303**	201,876,384
Tax deducted at source	**31,036**	-
	83,644,363	207,396,244
SCHEDULE 7 - CURRENT LIABILITIES		
Sundry creditors		
- Total outstanding dues of micro and small enterprises (Refer Note 9 of Schedule 11)	**-**	-
- Others	**853,356,736**	817,054,861
Deferred lease rent	**-**	283,333
Other liabilities	**63,818,487**	373,905,616
	917,175,223	1,191,243,810
SCHEDULE 8 - PROVISIONS		
Wealth tax	**5,959**	7,480
Employee benefits	**618,848**	2,610,106
Income tax (net)	**-**	48,998,220
	624,807	51,615,806
SCHEDULE 9 - MISCELLANEOUS EXPENDITURE		
(to the extent not written off or adjusted)		
Global Depositary Receipt (GDR) issue expenses	**227,855,515**	236,984,175
Equity Share Capital Issue expenses	**22,793,413**	22,793,413
	250,648,928	259,777,588

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2011. (ALL AMOUNT IN ` UNLESS OTHERWISE SPECIFIED)

SCHEDULE - 10

Significant Accounting Policies

1. Basis for preparation of financial statements

The financial statements are prepared under historical cost convention, on accrual basis, in accordance with the generally accepted accounting principles in India and to comply with the Accounting Standards prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government in exercise of the power conferred under sub-section (1) (a) of Section 642 and the relevant provisions of the Companies Act, 1956 ("the Act").

2. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the results of operations during the reporting periods. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimates and revisions, if any, are recognized in the current and future periods.

3. Fixed Assets and Depreciation/Amortisation

(i) Fixed assets are stated at cost less accumulated depreciation/amortisation. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

(ii) Fixed assets under construction, advances paid towards acquisition of fixed assets and cost of assets not ready for use as at the year-end, are disclosed as capital work-in-progress.

(iii) Expenses incurred relating to project prior to commencement of commercial production are classified as "Pre-operative expenses pending allocation" and are disclosed under Capital work in progress (net of income earned during the project development stage).

(iv) Depreciation on fixed assets is provided on straightline method (except intangible assets which are amortised over the period of three years) on pro rata basis from the date of addition at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956 which are as under:

Asset category	Rate of Depreciation/ Amortization
Computers	16.21% p.a.
Office equipments	4.75% p.a.
Furniture and fixtures	6.33% p.a.
Vehicles	9.50% p.a.
Building	1.63% p.a.
Leasehold improvements	Over the period of lease or estimated useful life, if shorter

Assets costing ` 5,000 or less are individually depreciated at the rate of one hundred percent.

4. Revenue Recognition

Interest income

Income from interest is accounted for on time proportion basis taking into account the amount outstanding and the applicable rate of interest.

5. Taxation

Provision for tax comprises current income tax and deferred tax. Current income tax is determined in respect of taxable income with deferred tax being determined as the tax effect of timing differences representing the difference between taxable income and accounting income that originate in one period, and are capable of reversal in one or more subsequent period(s). Such deferred tax is quantified using rates and laws enacted or substantively enacted as at the end of the financial year.

6. Foreign Currency Transactions

Transactions in foreign currency and non monetary assets are accounted for at the exchange rate prevailing on the date of the transaction. All monetary items denominated in foreign currency are converted at the year end exchange rate. The exchange differences arising on such conversion and on settlement of the transactions are recognized in the "Pre-operative expenses pending allocation" account.

7. Employee Benefits

Expenses and liabilities in respect of employee benefits are recorded in accordance with Revised Accounting Standard 15 - Employee Benefits (Revised 2005)

i) Gratuity

Gratuity is a post employment benefit and is in the nature of a defined benefit plan. The liability recognized in the balance sheet in respect of gratuity is the present value of the defined benefit obligation at the balance sheet date, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated at or near the balance sheet date by an independent actuary using the projected unit credit method.

Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged or credited to the "Pre-operative expenses pending allocation account" in the year in which such gains or losses are determined.

ii) **Provident Fund**

The Company makes contribution to statutory provident fund in accordance with Employees Provident Fund and Miscellaneous Provision Act, 1952 which is a defined contribution plan and contribution payable is recognized as an expense in the period in which services are rendered by the employee.

iii) **Compensated Absences**

Liability in respect of compensated absences becoming due or expected to be availed within one year from the balance sheet date is recognized on the basis of undiscounted value of estimated amount required to be paid or estimated value of benefit expected to be availed by the employees. Liability in respect of compensated absences becoming due or expected to be availed more than one year after the balance sheet date is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method.

iv) **Other short term benefits**

Expense in respect of other short term benefits is recognized on the basis of the amount payable for the period during which services are rendered by the employee.

8. **Leases**

Leases of assets under which significant risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognized as expense in the "Pre-operative expenses pending allocation account" on a straight line basis over the lease term.

9. **Impairment of Assets**

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and is recognized in the Profit and Loss Account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

10. **Contingent Liabilities and Provisions**

Depending upon the facts of each case and after due evaluation of legal aspects, claims against the Company not acknowledged as debts are treated as contingent liabilities. In respect of statutory dues disputed and contested by the Company, contingent liabilities are provided for and disclosed as per original demand without taking into account any interest or penalty that may accrue thereafter. The Company makes a provision when there is a present obligation as a result of a past event where the outflow of economic resources is probable and a reliable estimate of the amount of obligation can be made. Possible future or present obligations that may but will probably not require outflow of resources or where the same cannot be reliably estimated, have been disclosed as a contingent liability in the financial statements.

11. **Miscellaneous Expenditure**

Miscellaneous expenditure on account of increase in share capital and other related expenses are written off over a period of 5 years from the date of commencement of commercial production. Any reimbursements received from the depository are credited to "Miscellaneous expenditure" in the year such reimbursement is received.

12. **Borrowing Costs**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to the profit and loss account as incurred

13. **Earnings Per Share**

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

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

SCHEDULE - 11

NOTES TO THE FINANCIAL STATEMENT

1. Project status

The Company has a plan to set up crude oil refineries in Haldia, West Bengal with total capacity of approximately 10 million metric tonnes per annum (MMTPA) with budgeted outlay of approximately ` 83,000,000,000 (US $ 1.8 billion) of which ` 29,000,000,000 (US $ 0.63 billion) is planned to be funded by way of equity capital and the balance ` 54,000,000,000 (US $ 1.17 billion) by way of debt.

The equity component was partially funded by issue of Global Depositary Receipts (GDR) of US $ 200 million (equivalent to ` 7,880,000,000) in December 2007. The proceeds of the GDR issue were utilized to pay capital advances related to purchase of equipments of two used oil refineries and other corporate expenses incurred during construction period.

Further, on March 15, 2011, the Company has entered into two Assets Purchase agreements with Tagore Investments S.A. and Amber Energy S.A. (affiliates of HARDT Energy Limited) for the purchase of certain petroleum refinery equipments and technical components for US $ 275 million (equivalent to ` 12,375,000,000) and US $ 142 million (equivalent to ` 6,390,000,000) respectively, aggregating to a total cost of US $ 417 million (equivalent to ` 18,765,000,000). As per such agreements, the Company shall issue GDR, subject to the Central Government approval, for an amount of US $ 175 million to Tagore Investments S.A. and US $ 142 million to Amber Energy S.A. and also make cash payment amounting to US $ 100 million to Tagore Investments S.A. Pursuant to another agreement, Abboro Limited (affiliate of HARDT Energy Limited) has already infused ` 102,431,700 as share application money, pending allotment as on March 31, 2011. The Company is also in discussion with other investors to bring in the balance equity required for the project.

Further, as explained in more detail in note 8 below, the Company has sought an extension of period from the concerned authorities for compliance of certain conditions related to sub-lease of land required for the project at Haldia, West Bengal.

The ability of the Company to continue as a going concern is significantly dependent on its ability to successfully arrange the balance funding and achieve financial closure to fund its project and obtain the necessary extension for compliance of terms related to sub-lease of land required for the refinery project. In the event of any delay in the arrangement of the balance funding, the Management is confident of arranging the funds required for discharging the liabilities of the Company arising in the foreseeable future. These financial statements have been prepared on a going concern basis on the assumption that the necessary funding and financial closure will be achieved and do not include the adjustments that would result if the Company is unable to continue as a going concern.

2. Status of significant contracts

- During the previous years, the Company had entered into agreements for supply of plant and machinery, certain process units, and auxiliary technical services related to the project. The said agreement provided for certain milestones of performance on part of the parties to the contract which more specifically involved delivery of equipments by the supplier/ contractors against periodical opening of letters of credit and periodical payment by the Company. The Company paid certain advances as per the terms of the contract, however, in view of the pending financial closure, it could not fulfill other terms and conditions stipulated under the said agreement. The suppliers/ contractors also could not fulfill their obligations under the said agreements.

  In view of the fact that the obligations of either party to the contracts in the aforementioned agreements for supply of plant and machinery, certain process units, auxiliary technical services and consultancy services related to the project are not fulfilled, the Company's liability for payment of ` 5,361,960,970 (as on March 31, 2010 : ` 5,153,656,980) is not crystallized as at the balance sheet date and hence has not been recognised in these financial statements. Further, based on the developments stated in Note 1 above, Management is confident of achieving the financial closure and fulfilling its obligation under the said contracts.

- Also, subsequent to March 31, 2011, the Company has successfully renegotiated one of the contracts (liability for which amounted to ` 5,007,216,720 and is included in the note above) for supply of plant and machinery and certain process units in respect of its refinery projects whereby the scope of the contract has been amended to exclude auxiliary technical services and consultancy services besides reduction in the purchase price for the contract. As per the terms of the amended contract, the Company was required to make certain payments as per the agreed payment schedule. The Company is in the process of negotiating an extension from the supplier for compliance with the payment terms. The Company has given advances amounting to ` 3,355,930,000 to such supplier in terms of the agreement executed by the Company for the said supply which will not be recoverable if the necessary extension is not granted by the supplier. Based on the development stated in Note 1 above, Management is confident of fulfilling the amended contractual liability.

- The Company has paid advances amounting to ` 311,400,048 (as on March 31, 2010 ` 8,360,400,558) to the suppliers and auxiliary service providers. Due to delay in financial closure, the Company could not fulfill its financial obligations as stipulated in such agreements, resulting into delay in supply of plant and machinery and related services. As per these agreements, some of such advances may not be recoverable in the event of non-fulfillment of obligations by the Company. Based on the developments stated in Note 1 above, Management is confident of achieving financial closure and fulfilling its obligations under various contracts in the foreseeable future.

3. In the opinion of the Board of Directors, current assets, loans and advances have a value on realization in the ordinary course of the business at least equal to the amounts at which they are stated and provision for all known liabilities have been made.

4. **Capital Commitments**

(`)

	2011	2010
Estimated amount of contracts remaining to be executed on capital accounts and not provided for (Net of Advances)	**31,457,353,750***	28,176,018,882

*Subsequent to March 31, 2011 the terms of agreement with a supplier have been renegotiated and accordingly capital commitments have reduced to ` 20,654,773,750.

5. The expenses incurred during the construction period are classified as "Pre-operative expenses pending allocation" and will be apportioned to the assets on the completion of the project. In respect of such expenditure, necessary details as per Part II of Schedule VI of the Companies Act, 1956 have been disclosed under schedule 3(B)(ii).

6. **Contingent Liabilities**

(`)

	2011	2010
Claim against the company not acknowledged as debt	**5,450,671**	2,785,000

7. The service tax liability has been ascertained and provided for in the books of accounts. The Company has been advised that as per the provisions of Central Excise Act, 1944, the Company is eligible to claim CENVAT Credit against the excise duty payable on the products to be manufactured by the Company and accordingly CENVAT credit of service tax has been considered as an asset and classified as "Cenvat recoverable" in Schedule 6.

8. **Leasehold Land**

Haldia Development Authority (HDA), vide its memo dated March 25, 2008, offered land admeasuring about 400 acres at Haldia, West Bengal to the Company for setting up the refinery project ('the project'). As per the terms of the said memo, lease premium of ` 600,000,000 was stipulated.

Subsequently, vide its memo dated April 23, 2008, HDA granted permission to the Company for survey work, soil testing, land development work and construction work and accordingly the Company carried out such work at a cost of ` 195,092,367. Also, the Company has incurred ` 49,637,110 for civil work carried out on such land. Pending financial closure for the refinery project, the Company could not pay the aforesaid lease premium in full. During the year ended March 31, 2010, the Company entered into a tripartite agreement dated March 19, 2010 along with HDA and West Bengal Industrial Development Corporation Limited (WBIDC).

As per the terms of the aforesaid agreement, WBIDC has paid ` 630,000,000 as lease premium for land, development fee and other amounts to HDA and the Company was given permissive possession of the said land for a period of six months from the date of the agreement, for the purpose of implementing the project. Further, it was stipulated that the said land shall be sub-leased in favour of the Company at the end of six months from the date of the agreement subject to compliance with certain conditions.

Since the Company is in the process of achieving financial closure for the project, it has requested WBIDC for granting an extension of period for compliance of the aforementioned conditions.

Based on the developments stated in Note 1 above, Management is confident of achieving the financial closure and obtaining the necessary extension and accordingly, aforementioned cost of land development and civil work amounting to ` 195,092,367 and ` 49,637,110 respectively is included in the cost of leasehold land and capital work in progress.

9. The Company has requested its vendors to confirm their status under Micro, Small and Medium Enterprises Development Act (MSMED), 2006. Based on the confirmations received, there are no amounts due to any micro or small enterprise under the MSMED Act, 2006.

10. Managerial Remuneration

(`)

	2011	2010
Salaries, wages and bonus*	**15,308,332**	17,611,992
Perquisites	**586,452**	1,620,000
Compensation for loss of office	**5,392,178**	-
Total	**21,286,962**	19,231,992

*Whole Time Directors were covered under the Company's gratuity scheme along with the other employees of the Company. The gratuity and compensated absences liability is determined for all the employees on the basis of an independent actuarial valuation. The specific amount of gratuity for Whole Time Directors cannot be ascertained separately and accordingly, the same has not been included in the above note.

11. Auditors' Remuneration

(`)

	2011	2010
Statutory audit	**850,000**	1,050,000
Limited reviews	**300,000**	450,000
Certification fee	**20,000**	20,000
Service tax	**120,510**	156,560
Total	**1,290,510**	1,676,560

12. The Company has taken various residential, office and warehouse premises under operating lease agreements. These are generally cancellable and are renewable by mutual consent on mutually agreed terms.

Obligations towards non-cancellable leases:

(`)

Lease Obligation	2011	2010
Not later than one year	**-**	3,662,680
Later than one year but not later than five years	**-**	5,188,509
Later than five years	**-**	1,426,127
Total	**-**	10,277,316

Rental expenses of ` 9,519,867 (previous year ` 18,830,947) in respect of operating lease obligation have been recognised in "Pre-operative expenses pending allocation".

13. Based on the opinion from an independent eminent lawyer and in the light of certain court judgements, certain services, rendered by foreign suppliers mainly in connection with the purchase of plant and machinery, have been considered to be part of supply of plant and machinery and the Company has been advised that there would be no liability on account of tax deducted at source and service tax. Accordingly, service tax and tax deducted at source amounting to ` 5,437,653 and ` 6,001,848 respectively has been derecognised in the financial statements and interest cost for non payment of the tax deducted at source for the period from January 1, 2011 to March 31, 2011 amounting to ` 218,407 has not been provided for in the financial statements.

Further, in the light of certain court judgements and in line with the Company's position in its income tax returns for the previous years, the interest income earned in those years has been considered to be capital in nature and accordingly the provision for income tax (including of interest thereon) created in respect thereof amounting to ` 56,165,790 in those years has been derecognized in the financial statements for the year ended March 31, 2011 and also the interest thereon for the period from January 1, 2011 to March 31, 2011 amounting to ` 2,389,182 has not been provided for in the financial statements.

14. Related party transactions

a. Name of Related Parties

Nature of Relationship	:	Name of Related Parties
Key Managerial Personnel	:	Mr. D. Sundararajan (Managing Director) from February 05, 2011
		Mr. Deep Kumar Rastogi (Executive Chairman)
		Mr. Manabendra Guha Roy (Chief Executive Officer) upto January 14, 2011
		Mr. Ramesh Bhosale (Chief Financial Officer) upto January 17, 2011
Relatives of key managerial personnel	:	Mrs.Anuja Bhosale (wife of Mr. Ramesh Bhosale)

b. Related Party Transactions (`)

Nature of Transactions	Key Management Personnel	Relative of Key Managerial Personnel	Total
Transactions during the year			
Managerial remuneration*			
- Manabendra Guha Roy	**10,138,747**	**-**	**10,138,747**
	9,199,992	*-*	*9,199,992*
- Ramesh Bhosale	**11,148,215**	**-**	**11,148,215**
	10,032,000	*-*	*10,032,000*
- Anuja Bhosale	**-**	**586,452**	**586,452**
	-	*720,000*	*720,000*

(Previous year figures are given in italics)

*Does not include gratuity and Compensated Absences

15. Employee Benefits

A. Gratuity

Amount recognised in the Profit and Loss Account is as under:

(`)

Description	2011	2010
Current service cost	**79,197**	568,126
Interest cost	**83,375**	82,422
Actuarial (gain)/loss recognized during the year	**(948,573)**	(638,638)
Past service cost	**-**	-
Total	**(786,001)**	11,910

Movement in the liability recognised in the Balance Sheet is as under: (`)

Description	2011	2010
Present value of defined benefit obligation as at the beginning of the year	**1,042,185**	1,030,275
Current service cost	**79,197**	568,126
Interest cost	**83,375**	82,422
Actuarial (gain)/ loss recognized during the year	**(948,573)**	(638,638)
Benefits paid	**-**	-
Past service cost	**-**	-
Present value of defined benefit obligation as at the end of the year	**256,184**	1,042,185

For determination of the gratuity liability of the Company, the following actuarial assumptions were used:

Description	2011	2010
Discount rate	**8.00%**	8.00%
Rate of increase in compensation levels	**6.00%**	6.25%

B. Compensated Absences

Amount recognised in the Profit and loss account is as under:

(`)

Description	2011	2010
Current service cost	**59,245**	394,232
Interest cost	**125,434**	99,553
Actuarial loss recognized during the year	**280,027**	207,367
Past service cost	**-**	-
Total	**464,706**	701,153

Movement in the liability recognised in the balance sheet is as under: (`)

Description	2011	2010
Present value of defined benefit obligation as at the beginning of the year	**1,567,921**	1,244,414
Current service cost	**59,245**	394,232
Interest cost	**125,434**	99,553
Actuarial loss recognized during the year	**280,027**	207,367
Benefits paid	**(1,669,963)**	(377,646)
Present value of defined benefit obligation as at the end of the year	**362,664**	1,567,921

For determination of the liability in respect of compensated absences of the Company, following actuarial assumptions were used:

Description	2011	2010
Discount rate	**8.00%**	8.00%
Rate of increase in compensation levels	**6.00%**	6.25%

C. Provident Fund

Contribution made by the Company during the year is ` 851,568 (previous year ` 1,524,392).

16. Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956.

i) Details of Capacity and Production

In the absence of manufacturing activity in the Company, aforesaid information is not applicable.

ii) Details of Trading Goods

In the absence of trading activity in the Company, aforesaid information is not applicable

iii) Expenditure in Foreign Currency

(On cash basis including amounts capitalized during the year)

(`)

Description	**2011**	2010
Travelling expenses	**292,041**	890,512
Bank charges	**16,141**	331
GDR issue expenses (reimbursement of expenses)	**(9,128,329)**	(22,267,361)
Consultancy and professional fees	**10,271,306**	6,483
Stock exchange fees	**306,463**	446,845
Total	**1,757,622**	(20,923,190)

iv) **Receipt in Foreign Currency**

(`)

Description	**2011**	2010
Share Application Money	**102,431,700**	-

17. Based on the opinion from an independent eminent lawyer, the Company would not be liable to pay income tax on foreign exchange gain amounting to ` 284,972 (Previous Year ` 69,667,513) being receipt on capital account. Accordingly, no provision for tax has been made on the exchange gain.

18. The Company is setting up a refinery project. The indirect expenditure/income during construction period has been recognised in "Pre-operative expenses pending allocation" account, which forms part of capital work-in-progress. The said account includes foreign exchange gain of ` 972,376,986 (including previous year ` 972,092,015), corporate expenses of ` 10,301,755 (including previous year ` 7,624,729), interest on statutory dues of ` 34,671,568 (including previous year ` 91,089,885), FCCB expenses written off of ` 54,053,605 (including previous year ` 54,053,605), capital advance/ balances written (back)/ off of ` (2,277,184) (including previous year ` 1,752,775) and leasehold improvements written off of ` 16,368,548 (including previous year ` 2,639,418) till March 31, 2011. At the time of allocation of pre-operative expenses to the respective assets on commissioning of the project, above mentioned expenses/income shall not be capitalized. The above accounting treatment is in accordance with the clarification given by the Department of Companies Affairs (Letter No. 2/17/64-PR, dated 29.01.1964) and accordingly Profit and Loss Account has not been prepared.

19. Previous year figures have been re-classified/re-grouped, wherever considered necessary to conform to current year's classification.

For & on behalf of the Board of Directors

Deep Kumar Rastogi
Executive Chairman

D. Sundararajan
Managing Director

Sarvesh Kumar Goorha
Director

Sanjay Kumar Jain
VP (Legal) & Company Secretary

Gurgaon
May 30, 2011

Rekha Sarda
(AVP- Finance)

BALANCE SHEET ABSTRACT &
COMPANY'S GENERAL BUSINESS PROFILE

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

I. Registration Details

Registration No.	L51909DL1984PLC018775	State Code	55
Balance Sheet Date	31 (Date) 03 (Month) 2011 (Year)		

II. Capital Raised during the year (Amount in ` Thousand)

Public Issue	Right Issue
-	-
Bonus Issue	Private Placement
-	188,800

III. Position of Mobilisation and Deployment of Funds (Amount in ` Thousand)

Total Liabilities	Total Assets
8,278,128	8,278,128

Source of Funds

Paid up Capital	Reserves & Surplus
8,128,800	0
Share Application Money	Secured Loans
146,828	0
Unsecured Loans	
2,501	

Application of Funds

Net Fixed Assets	Investments
8,771,592	0
Net Current Assets	Miscellaneous Exp.
(811,580)	250,649
Accumulated Losses	
67,467	

IV. Performance of Company (Amount in ` Thousand)

Turnover	Total Expenditure
0	0
Profit/(Loss) Before Tax	Profit/(Loss) After Tax
0	0
Earning Per Share	Dividend Rate %
0	NIL

V. Generic Names of Three Principal Products/Service of the Company (As per monetary terms)

Item Code No. (ITC Code)	2710	Code No. (ITC Code)	27112100
Product Description	PETROLEUM PRODUCTS	Product Description	NATURAL GAS

CALS REFINERIES LIMITED

Registered Office: 21,Basant Lok Complex, Vasant Vihar, New Delhi - 110057

E-MAIL REGISTRATION FORM

Dear Shareholder,

Green Initiative in Corporate Governance: Go Paperless

The Ministry of Corporate Affairs ('Ministry') has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by companies through electronic mode. In accordance with the recent circulars no. 17/2011 dated 21.04.2011 and 18/2011 dated 29.04.2011 issued by the Ministry, companies can now send documents like Notice of Annual General Meeting, Annual Report, Postal Ballot Notice etc. to their shareholders through electronic mode, to their registered e- mail addresses.

We invite you to take part in this opportunity to contribute to the Corporate Social Responsibility initiative of the Company. We therefore request you to register your email ID with your Depository Participant(s) or by sending this form duly filled in and signed to the Company's Registrar & Share Transfer Agent M/s MCS LIMITED at F-65, 1st Floor, Okhla Industrial Area, Phase-I, New Delhi- 110020 or your concerned Depository Participant.

IF SHARE(S) IS/ARE HELD IN PHYSICAL MODE	**IF SHARE(S) IS/ARE HELD IN DEMAT (ELECTRONIC) MODE**
Please send the form to the Registrar at following address- **MCS Limited** **Unit – Cals Refineries Limited** **F – 65, Okhla Industrial Area, Phase - I,** **New Delhi – 110 020**	Please send the form to your concerned Depository Participant where you maintain your Demat Account.

Dear Sir/Madam,

Green Initiative in Corporate Governance

I agree to receive all communication from the Company in electronic mode. Please register my following e-mail id in your records for sending communication through e-mail –

E-mail ID to be registered

Name of Sole/Joint Holder(s)	Folio No./DP ID and Client ID	Signature

Date ……………………………….

Important Notes:

1) After registration, all the communication will be sent to your registered e-mail Id. However, you can anytime ask for physical copy of the document.
2) The form is also available on the website of the Company viz. www.cals.in
3) Shareholders are requested to keep company informed as and when there is any change in the e-mail address. Unless the email Id given hereunder is changed by you by sending another communication in writing, the company will continue to send the notices/documents to you on the above mentioned email ID.

CALS

CALS REFINERIES LIMITED

REGISTERED OFFICE: 21, Basant Lok Complex, Vasant Vihar, New Delhi - 110057

PROXY FORM

I/We .... of .... in the district of ....being a Member/Members of CALS REFINERIES LIMITED hereby appoint ....of ....in the district of..or failing him/her.. of .... in the district of .... as my/our proxy to attend and vote for me/us on my/our behalf at the 27th Annual General Meeting of the Company to be held on Tuesday, the 27th September 2011 at 10.30 a.m. at Executive Club, Dolly Farms & Resorts 439, Village Shahoorpur, P.O. Fatehpur Beri, New Delhi 110074, and/or any adjournment thereof.

Signed this at ....on this day ....of..................2011.

Affix 15 paise Revenue Stamp

PROXY NO.	REGD. FOLIO NO./CLIENT ID.	NO. OF SHARES

Note: This form duly completed and signed as per specimen signature registered with the Company should be deposited at the Registered Office of the company not less than 48 hours before the time fixed for the commencement of the Meeting.

CALS

CALS REFINERIES LIMITED

REGISTERED OFFICE: 21, Basant Lok Complex, Vasant Vihar, New Delhi - 110057

27TH ANNUAL GENERAL MEETING

ATTENDENCE SLIP

PLEASE COMPLETE THIS ATTENDENCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE HALL

I/We hereby record my/our presence at the 27th Annual General Meeting of the Company to be held on Tuesday, the 27th September 2011 at 10.30 a.m. at Executive Club, Dolly Farms & Resorts 439, Village Shahoorpur, P.O. Fatehpur Beri, New Delhi 110074.

Name(s) of the Shareholder(s) or Proxy (In Block Letters)	No. of Shares held	Registered Folio/ Client ID No.

PLEASE CARRY YOUR COPY OF ANNUAL REPORT

SIGNATURE/S OF THE SHAREHOLDER/S OR PROXY
(To be signed at the time of handing over the slip)

NO GIFT / SNACKS WILL BE PROVIDED AT THE MEETING

BOOK POST

If undelivered please return to:

CALS REFINERIES LIMITED

326, Udyog Vihar, Phase IV,
Gurgaon - 122 015, Haryana,
India.