

## **Cals Refineries Limited**

### **Disclosures in accordance with Clause 41 of the Listing Agreement for the quarter ended June 30, 2011**

1. Cals Refineries Limited ("the Company") has raised Rs. 788 crores through Global Depository Receipts (GDR) in December 2007, which has been utilized towards setting up a 10 MMTPA refinery ("The Project"). The refinery is expected to be operational in approximately 36 months from financial closure, which is expected by March, 2012.

During the quarter, 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. The Company is in the process of obtaining necessary approvals for the issue of GDRs against purchase of refinery equipments from Hardt Group.

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 new contract was cancelled. But, the Company is still trying its best to get alternate payment options in place so that the Company doesn't lose the equipments.

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 30<sup>th</sup> September 2011 but the Company has requested it to extend till 31st March 2012 which is receiving their attention.

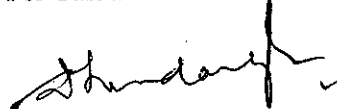
2. **Company's response to qualifications/reservations in the auditors' report on the financial statements for the year ended March 31, 2011**

- a. Withholding tax, Service tax and provision for Income Tax have been derecognized. Based on opinion from an eminent lawyer and 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 withholding tax and Service tax. Accordingly, withholding tax and Service tax and interest thereon respectively, have been derecognised in the financial statements. Also based on certain court judgements, the interest income earned has been considered to be capital in nature and accordingly, the provision for income-tax and interest thereon has been derecognized in the financial statements.
- b. 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 are recognised in "Pre-operative expenses pending allocation" account, which forms part of capital work in progress, on a consistent basis.

In accordance with the clarification given by the Department of Company Affairs (Letter No. 2/17/64-PR, dated January 29, 1964) all expenses and income have been duly disclosed in "Pre-operative expenses pending allocation" account. However, these expenses will be allocated in accordance with the applicable accounting standards and norms.

3. There was no investor complaint pending as on March 31, 2011. During the quarter ended June 30, 2011, the Company received 3 complaints. The complaints were resolved/replied and no complaint was pending as on June 30, 2011.
4. The above disclosures were reviewed by the Audit Committee. The Board of Directors at its meeting held on August 10, 2011 approved the above disclosure and its release.

For **Cals Refineries Limited**



**(D. Sundararajan)**  
**Managing Director**

Place: New Delhi  
Date: August 10, 2011