



ANNUAL REPORT 2010

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BOARD AND OTHER PARTICULARS

BOARD OF DIRECTORS	Mr. Anjum Bilakhia	Chairman	
	Mr. Ashwani Bhardwaj	Managing Director	
	Mr. Heinrich Ringer	Director (from May 1, 2010)	
	Ms. Ursula Borgmann	Director	
	Mr. M. L. Bhakta	Director	
	Prof. Pradip Khandwalla	Director	
	Mr. Hasmukh Shah	Director	
	Mr. K. K. Unni	Director (from May 1, 2010)	
VICE PRESIDENT & COMPANY SECRETARY	Mr. Hitesh Parikh		
VICE PRESIDENT & CHIEF FINANCIAL OFFICER	Mr. Sundaresh Bhat		
AUDITORS	Deloitte Haskins & Sells, Chartered Accountants, Mumbai		
BANKERS	Standard Chartered Bank	Axis Bank Limited	ICICI Bank Limited
	Bank of India	State Bank of India	DBS Bank Limited
	The Hongkong and Shanghai Banking Corporation Limited		
	Australia and New Zealand Banking Group Limited, Singapore		
REGISTERED OFFICE	Bilakhia House, Muktanand Marg, Chala, Vapi - 396 191 Gujarat, India.		
WORKS	Plot No. 2803/2, III Phase, GIDC, Vapi - 396 195. Gujarat. India.	Survey No. 137/1, Jani Vankad, Daman - 396 210. (U.T. of Daman & Diu). India.	Survey No. 11 & 13, Village Morkhal, Silvassa - 396 230. (U.T. of Dadra & Nagar Haveli). India.
	Plot No. 808/E, 305/6, 305/7 (100% Export Oriented Unit) II Phase, GIDC, Vapi - 396 195. Gujarat. India.	Survey No. 8/1/2/P, 9/P, 10/3, 10/4, 10/5, 8/2 Village Morkhal, Unit II, Silvassa - 396 230. (U.T. of Dadra & Nagar Haveli). India.	
REGISTRAR & SHARE TRANSFER AGENT	Link Intime India Private Limited C-13, Pannalal Silk Mills Compound L. B. S. Marg, Bhandup (W), Mumbai-400078 Tel No.: 022 – 25963838 Fax No.: 022 – 25946969		

DIRECTORS' REPORT

The Directors have pleasure in presenting the 20th Annual Report of the Company and Audited Accounts for the accounting year ended on December 31, 2010.

Financial Highlights:	<i>(₹ in million)</i>	
	31/12/2010	31/12/2009
Sales/Income from Operations		
Domestic (Net)-Including Other Operating Income	8,002.27	6,857.34
Exports	9,294.68	6,907.47
PBDIT	2,443.37	2,145.82
Provision for Taxation (Including FBT)	600.00	382.81
Deferred Tax Credit	(15.72)	(8.82)
PAT	1,418.40	1,125.49
Balance Brought Forward	2,015.17	1,564.27
Profits Available for Appropriation	3,433.57	2,689.76
Appropriations		
Proposed Equity Dividend	149.23	149.23
Tax on Proposed Equity Dividend #	24.21	25.36
Transfer to General Reserve	500.00	500.00
Surplus Carried to Balance Sheet	2,760.13	2,015.17

including Dividend Distribution tax credit of ₹ 0.58 million as explained below.

Dividend:

The Board of Directors has recommended dividend of ₹ 6/- per share (@ 60%), (Previous year ₹ 6/- per share (@60%)), on 24871941 Equity Shares of ₹ 10/- each fully paid-up, aggregating to ₹ 174.02 million including Dividend Distribution Tax of ₹ 24.79 million. Due to budgetary changes in Surcharge rate in 2010 from 10% to 7.5%, the liability of Dividend Distribution Tax, Surcharge, Education cess and Secondary & Higher Secondary cess thereon was lower by ₹ 0.58 million at the time of payment. The dividend for the accounting year ended December 31, 2010 will not be taxable in the hands of the Members.

Performance Review:

Consolidated Net Sales grew by 21%, and stood at ₹ 19,582 million led by 17% growth in domestic market, 10% (in dollar terms) growth in US market, 20% growth in Rest of the World market (excluding USA, **hubergroup** and India), 39% growth in revenue from **hubergroup** worldwide and additional business inclusion resulting from acquisition of Hostmann-Steinberg New Zealand Limited and Hostmann-Steinberg Australia Pty. Ltd., during the year.

Domestic Sales:

The Domestic Net Sales and Other Operating Income grew by 17% at ₹ 8,002 million. Your Company continues to maintain its leadership position in the Indian Printing Inks market due to superior products and advantage of **hubergroup** superior technology.

Exports:

Consolidated International Sales stood at ₹ 11,580 million contributing 59% of total Net Sales and Other Operating Income. The sales of US subsidiary stood at US\$ 82 million for the year compared to sales of US\$ 75 million of the previous year. The sales of Hostmann-Steinberg New Zealand Limited and Hostmann-Steinberg Australia Pty. Ltd. amounting to ₹ 36.67 million & ₹ 107.45 million, respectively, has been considered, for the year, for consolidated accounts.

Company's sales to Rest of the World stood at ₹ 1,177 million for the year compared to ₹ 981 million in the previous year.

Profitability:

During the year, the Company's consolidated EBIDTA stood at ₹ 2,576 million compared to ₹ 2,110 million for the previous year. The EBIDTA was higher due to higher volumes backed by improvements in manufacturing process and better price realisations. The Net Profits at consolidated level was ₹ 1,331 million compared to Net Profit of ₹ 968 million for the previous year.

Finance:

During the year, the consolidated interest was lower by ₹ 108 Million and stood at ₹ 77 million compared to ₹ 185 million for the previous year, mainly due to exchange gain of ₹ 50 million on revaluation of foreign currency loans in current year.

Overall consolidated debt increased by ₹ 855 Million and stood at ₹ 3,092 Million as on December 31, 2010. Sales to capital employed stood at 1.9 times as compared to 2.0 times in previous year and Sales to Net Working Capital stood at 3.3 times from 4.0 times.

Strategic Investments:

During the year Micro Inks (Hong Kong) Limited, a subsidiary of the Company's subsidiary has been dissolved effective May 11, 2010.

During the year, the Company has acquired entire Common Stocks/Share Capital of Hostmann-Steinberg New Zealand Limited at a total consideration of US\$ 4.132 Million and Hostmann-Steinberg Australia Pty. Ltd. at a total consideration of US\$ 14.473 Million and thereby both the companies became subsidiary company of the Company with effect from December 1, 2010.

The statement pursuant to Section 212 of the Companies Act, 1956, is annexed to this Annual Report.

Outlook:

There are visible signs of revival in global economy and Indian economy continues its growth momentum. However due to spurt in commodity prices and political disturbances in Middle-East and North Africa pressure on margin will continue due to increased input cost.

Consolidation of Accounts:

The audited Consolidated Accounts and Cash Flow Statements, comprising of the Company and its all Subsidiary Companies appear in this Annual Report together with the Auditors' Report on the Consolidated Accounts. The Consolidated Accounts have been prepared in accordance with Accounting Standard 21 prescribed by the Institute of Chartered Accountants of India.

The Government of India, Ministry of Company Affairs, New Delhi, vide its letter No.47/110/2011-CL-III dated February 9, 2011, has granted an exemption under Section 212 of the Companies Act, 1956, to the Company from annexing to this Report, the Annual Reports of all the Subsidiaries of the Company for the year ended on December 31, 2010. However, if any Member of the Company so desires, the Company will make available copies of full accounts of the Subsidiaries of the Company.

Exit Offer of Equity Shares of the Company:

In accordance with the Regulation 21 of the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009, the Acquire (MHM Holding GmbH, one of the Promoter of the Company) has given an exit opportunity to the public shareholders holding shares in the Company at the Exit Price of ₹ 640/- per shares. The Exit offer shall be open until April 13, 2011. Members are aware that the Stock Exchanges have discontinued trading in equity shares of the Company effective April 6, 2010 and equity shares of the Company have been delisted from all the Stock Exchanges effective April 13, 2010.

Corporate Social Responsibility:

Your Company continued to contribute to society through donations and community development initiatives.

Insurance:

The Company has taken adequate insurance to cover risk to its assets, profits and standing charges as well as employees. It has also taken cover against liability to public under Public Liability Insurance Act, 1991. The above covers have been taken based on internal risk study.

Directors' Responsibility:

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors confirm that to the best of their knowledge and belief:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed;
2. appropriate accounting policies have been selected and applied consistently and have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at December 31, 2010 and for the profit and loss account for the year ended on that date;
3. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities and
4. The annual accounts have been prepared on a going concern basis.

Energy, Technology & Foreign Exchange:

As required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, the information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo is annexed.

Employees:

The Company acknowledges the commitment and contribution of all its employees to the Company's growth. Our industrial relations continued to be excellent.

Information as per amended Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forms part of this Report. However, as per the provisions of Section 219(1) (b) (iv) of the Companies Act, 1956, the Report and the Accounts are being sent to all the shareholders, excluding the statement of particulars under Section 217(2A). Any shareholder, interested in obtaining a copy of this statement, may write to the Vice President & Company Secretary at the Registered Office of the Company.

Directors:

In accordance with the Companies Act, 1956, and the Articles of Association of the Company, Ms. Ursula Borgmann, Mr. Ashwani Bhardwaj and Mr. Hasmukh Shah retire by rotation and are eligible for re-appointment. These appointments form part of the Notice of the 20th Annual General Meeting and the Resolutions are recommended for your approval.

During the period, Mr. Heinrich Ringer had resigned as an Alternate Director to Ms. Ursula Borgmann with effect from April 30, 2010 and was appointed as an Additional Director of the Company effective May 1, 2010 and was confirmed as a Director in the Annual General Meeting held on July 29, 2010.

During the period Mr. K. K. Unni had resigned as an Alternate Director to Mr. Anjum Bilakhia with effect from April 30, 2010 and has been appointed as an Additional Director of the Company effective May 1, 2010 and was confirmed as a Director in the Annual General Meeting held on July 29, 2010.

Auditors:

Messrs Deloitte Haskins & Sells, Chartered Accountants, the Auditors of the Company will retire at the conclusion of the 20th Annual General Meeting and offer themselves for re-appointment. A letter from them confirming that if they are re-appointed as the Auditors of the Company, such appointment will be in accordance with the provisions of Section 224 (1B) of the Companies Act, 1956 and they are not disqualified in terms of Section 226 of the Companies Act, 1956, from being appointed as the Statutory Auditors of the Company, has been received.

Acknowledgement:

The Board of Directors takes this opportunity to express its sincere appreciation for the continued support and confidence received from the Company's customers, distributors, suppliers, bankers, shareholders and other business associates. Your Directors places on record their deep appreciation of the dedicated efforts and contribution of the employees at all levels and look forward to their continued support in the future as well.

For and on Behalf of the Board

Place : Mumbai
Date : February 19, 2011

Anjum Bilakhia
Chairman

ANNEXURE TO THE DIRECTORS' REPORT

Statement pursuant to Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, forming part of the Directors' Report

Conservation of Energy

The Company's operations do not involve substantial consumption of energy in comparison to the cost of production. Wherever possible, energy conservation measures have been implemented. Total energy consumption is as per Form-A and forms part of the report.

FORM - A

CONSERVATION OF ENERGY FOR THE ACCOUNTING PERIOD ENDED DECEMBER 31, 2010

(A) Power and Fuel Consumption

Particulars	Units	2010	2009
1. Electricity			
Purchased from Electricity Boards			
KWH	Units (Million)	27.08	26.34
Total Amounts	₹ (Million)	131.18	143.90
Average Rate	₹ / Unit	4.84	5.64
2. Natural Gas	SCM. (Million)	27.62	19.84
Total Amount	₹ (Million)	466.83	315.77
Average rate	₹ / Unit	16.90	15.92
3. High Speed Diesel	Ltrs. (Million)	0.49	0.63
Total Amount	₹ (Million)	18.07	19.31
Average rate	₹ / Unit	36.54	30.49
4. Furnace Oil	Kgs. (Million)	1.27	4.86
Total Amount	₹ (Million)	30.52	74.68
Average Rate	₹ / Unit	24.10	15.36
5. Solid Biomass Briquettes	Kgs. (Million)	1.11	0.87
Total Amount	₹ (Million)	4.52	3.59
Average Rate	₹ / Unit	4.08	4.11
6. Light Diesel Oil	Kgs. (Million)	0.003	—
Total Amount	₹ (Million)	0.09	—
Average Rate	₹ / Unit	29.62	—

(B) Consumption per Unit of Production

Electricity
Natural Gas
HSD
Furnace Oil

} Since the Company manufactures different types of products, it is not practicable to give consumption per unit of production.

FORM - B

A. RESEARCH & DEVELOPMENT

1. SPECIFIC AREAS IN WHICH R&D EFFORTS HAVE BEEN PUT IN BY THE COMPANY

For development of:

- Specialty ester for Offset Inks
- High gloss Sheetfed Inks
- Toluene free Liquid Inks
- Low VOC Alkali Blue Flushes
- Special grade of Pigment Yellow-13 & Yellow-14 for Liquid Inks
- Chlorinated Polyester for UV Inks
- Bisphenol F based modified epoxy acrylate for UV Coating & Inks
- Pure Acrylic based Coating for 3 piece cans
- Polyester resin based Coating for Collapsible Tubes
- Wire Lubricant material for better windability of enameled wires

2. BENEFITS DERIVED AS A RESULT OF R&D

Many of the above developments will enhance the competitiveness of the company and will improve the quality of existing products. New range of products will enhance the quality of UV & other inks, which will further help in increasing the present market share.

3. FUTURE PLAN OF ACTION

The Company's R&D is working continuously for the development of new products, processes and improved formulations to give high quality performance inks for different applications to customers worldwide.

With the technology support from **hubergroup**, the Company is continuously developing new products and process to offer superior quality inks.

4. EXPENDITURE ON R & D

The Company has set up a most modern R&D Center. It has also imported various sophisticated equipment for R&D and Quality Control System. During the year, the Company has incurred, on R&D Facilities:

- (a) Capital expenditure of ₹ 1.10 Million,
- (b) Recurring expenditure of ₹ 40.08 Million,
- (c) Total Expenditure ₹ 41.18 Million and
- (d) Total R&D expenditure as a percentage to total turnover was 0.24%.

B. TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

1. THE EFFORTS MADE TOWARDS TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

The Company has successfully developed the technology and products listed in A1 above and the technology have been successfully implemented.

2. BENEFITS DERIVED AS A RESULT OF ABOVE EFFORTS

As a result of the aforesaid efforts the Company has been able to expand its business reach apart from becoming more competitive and will be in a position to offer significantly superior products to its customers. Some of the inks will provide import substitute, which will be an added advantage to the country also.

3. IN CASE OF IMPORTED TECHNOLOGY (IMPORTED DURING THE LAST FIVE YEARS. RECKONED FROM THE BEGINNING OF THE FINANCIAL YEAR) THE FOLLOWING INFORMATION MAY BE FURNISHED

Technology imported	'HIT' Technology
Year of Import	2007
Has technology been fully absorbed?	Yes
If not fully absorbed, areas where this has not taken place, reasons thereof and future plan of actions	N.A.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

1. ACTIVITIES RELATING TO EXPORTS, INITIATIVES TAKEN TO INCREASE EXPORTS, DEVELOPMENT OF NEW EXPORT MARKETS FOR PRODUCTS AND SERVICES AND EXPORT PLANS

As mentioned in the Directors' Report.

- (1) Total Foreign Exchange Earned ₹ 9,014.51 Million (FOB)
- (2) Total Foreign Exchange Used ₹ 6,387.67 Million

For and on Behalf of the Board

Place : Mumbai
Date : February 19, 2011

Anjum Bilakhia
Chairman

AUDITORS' REPORT

To,

The Members of Micro Inks Limited on the Accounts for the year ended December 31, 2010

1. We have audited the attached Balance Sheet of **MICRO INKS LIMITED** ("the Company"), as at December 31, 2010, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date both annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Without qualifying our opinion, we continue to draw attention to Note No. 27 on Schedule-17. The Company has investments in Hostmann-Steinberg Inc., a wholly owned subsidiary incorporated in the USA ("the Subsidiary"), at a carrying value of ₹ 965.81 million (as at December 31, 2009 of ₹ 965.81 million). [These figures are after writing off ₹ 1,587.86 million in an earlier year by utilisation of reserves in accordance with the requisite approvals]. The accumulated losses of the Subsidiary are ₹ 3,629.97 million (as at December 31, 2009 are ₹ 3,659.38 million) and the net worth is ₹ 848.98 million (as at December 31, 2009 is ₹ 853.82 million). The Company has net outstanding of ₹ 346.88 million (as at December 31, 2009 ₹ 564.07 million) due from the Subsidiary on account of debtors and has given a corporate guarantee of ₹ 447.10 million (as at December 31, 2009 ₹ 595.84 million) for loan given by a bank to the Subsidiary. As represented by the management, notwithstanding the Subsidiary being dependent on the Company for financial support and for the reasons stated in the said note, no losses on these accounts are presently expected to occur and, accordingly, no provision has been made.
5. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;
 - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (iii) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (v) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2010;
 - (b) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
6. On the basis of written representations received from the Directors and taken on record by the Board of Directors, none of the Directors is disqualified as on December 31, 2010, from being appointed as a Director, in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 117366W)

Rajesh K. Hiranandani
Partner
Membership No. 36920

Place : Mumbai
Date : February 19, 2011

ANNEXURE TO THE AUDITORS' REPORT ON THE ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2010

(Referred to in paragraph 3 of our report of even date)

- (i) In respect of its Fixed Assets:
 - (a) The Company has generally maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) According to the information and explanations given to us, the fixed assets are being physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to this programme, some of the fixed assets have been physically verified by the management during the year, and no material discrepancies were noticed on such verification.
 - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company, and such disposal has, in our opinion, not affected the going concern status of the Company.
- (ii) In respect of its Inventories:
 - (a) As explained to us, inventories (other than stocks lying with third parties, in respect of which confirmations have been obtained) have been physically verified during the year by the management at reasonable intervals. In our opinion, the frequency of verification is reasonable.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of the inventories and no material discrepancies were noticed on physical verification.
- (iii) The Company has not granted or taken loans, secured or unsecured, to or from any companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, paragraphs (a) to (g) of Clause 4(iii) are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets, and the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (v) In respect of contracts or arrangements entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
 - (a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered in the register maintained under the said Section have so been entered.
 - (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, and exceeding the value of rupees five lakhs in respect of any party during the year, except for transactions where the items involved were of a special nature and in the absence of any comparable prices available, have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted deposits from public within the meaning of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956, and the Companies (Acceptance of Deposits) Rules, 1975. Accordingly, to the information and explanation given to us, no order has been passed by the Company Law Board, National Company Law Tribunal, Reserve Bank of India or any Court or any other Tribunal.

- (vii) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants, appointed by the management, have been commensurate with the size of the Company and the nature of its business.
- (viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company relating to the manufacture of resins, pursuant to the order made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, and we are of the opinion that *prima-facie* the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of such records with a view to determining whether they are accurate and complete. To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any other products of the Company.
- (ix) According to the information and explanations given to us in respect of statutory and other dues:
- (a) The Company has been generally regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax / Value Added Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and any other material statutory dues applicable to it with the appropriate authorities though there have been slight delays in few cases in respect of Service Tax and Works Contract Tax.
- There are no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax / Value Added Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and any other material statutory dues which were in arrears, as at December 31, 2010, for a period of more than six months from the date they became payable.
- (b) There are no disputed Wealth Tax, Customs Duty, Service Tax and Cess which have not been deposited as on December 31, 2010.
- Disputed Income-tax liability of ₹ 0.76 million for the Financial Years 1993-94 and 1998-99 pending with the Assessing Officer have not been deposited as on December 31, 2010.
- Disputed Sales Tax / Value Added Tax liability of ₹ 0.58 million for the Financial Years 2003-04 to 2005-06 pending with the Appellate and Revisional Board and liability of ₹ 0.54 million for the Financial Year 2008-09 pending with the JC (Appellate) VAT have not been deposited as on December 31, 2010.
- Disputed Central Excise liability of ₹ 1.64 million for the period 1994 to 2010 pending with the Commissioner (Appeals) and liability of ₹ 2.11 million for the period 1999 to 2000 pending with the Appellate Tribunal have not been deposited as on December 31, 2010.
- (x) The Company does not have accumulated losses as at the end of the financial year covered by our audit. The Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks. The Company has not obtained any borrowings from financial institutions and also has not issued any debentures.
- (xii) In our opinion and according to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of Clause 4(xiii) of the said Order are not applicable to the Company.
- (xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, the provisions of Clause 4(xiv) of the said Order are not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, the Company has given guarantee for a loan taken by its subsidiary from a bank. Having regard to the explanation that the subsidiary is wholly owned, in our opinion, the terms and conditions of the guarantee are not *prima-facie* prejudicial to the interests of the Company.
- (xvi) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, the term loans availed by the Company have been applied for the purposes for which the loans were obtained.

- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis have, *prima-facie*, not been used during the year for long-term investment.
- (xviii) According to the information and explanations given to us, during the year, the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us and the records examined by us, no debentures were outstanding during the year.
- (xx) According to the information and explanations given to us, there has no money been raised by public issues during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 117366W)

Rajesh K. Hiranandani
Partner
Membership No. 36920

Place : Mumbai
Date : February 19, 2011

BALANCE SHEET AS AT DECEMBER 31, 2010

		(₹ in million)	
	Schedule	As at 31/12/2010	As at 31/12/2009
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	248.72	248.72
Reserves and Surplus	2	6,572.71	5,327.75
		6,821.43	5,576.47
LOAN FUNDS			
Secured Loans	3	2,037.61	1,194.89
Unsecured Loans	4	357.68	400.00
		2,395.29	1,594.89
Deferred Tax Liability (Net) (Refer Note No. 16 of Schedule-17)		348.86	364.58
TOTAL		9,565.58	7,535.94
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	5,834.11	5,426.91
Less: Depreciation / Amortisation		2,618.31	2,323.74
Net Block		3,215.80	3,103.17
Capital Work-in-Progress (Including Capital Advances)		78.66	244.19
		3,294.46	3,347.36
INVESTMENTS			
	6	1,812.10	971.19
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	2,958.65	1,983.48
Sundry Debtors	8	3,659.16	3,317.63
Cash and Bank Balances	9	366.66	104.68
Loans and Advances	10	554.33	510.28
		7,538.80	5,916.07
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	11	2,825.52	2,502.02
Provisions		254.26	196.66
		3,079.78	2,698.68
NET CURRENT ASSETS			
		4,459.02	3,217.39
TOTAL		9,565.58	7,535.94
SIGNIFICANT ACCOUNTING POLICIES	16		
NOTES TO THE ACCOUNTS	17		

As per our report of even date
For Deloitte Haskins & Sells
Chartered Accountants

Rajesh K. Hiranandani
Partner

Place : Mumbai
Date : February 19, 2011

For and on behalf of the Board

Anjum Bilakhia
Chairman

Hitesh Parikh
Vice President &
Company Secretary

Ashwani Bhardwaj
Managing Director

Sundaresh Bhat
Vice President &
Chief Financial Officer

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010

		(₹ in million)	
	Schedule	Year ended 31/12/2010	Year ended 31/12/2009
INCOME			
Sales and Other Operating Income (Gross)	12	18,044.83	14,311.55
Less: Excise Duty		747.88	546.74
Sales and Other Operating Income (Net)		17,296.95	13,764.81
Other Income	13	44.29	40.03
TOTAL		17,341.24	13,804.84
EXPENDITURE			
Materials Consumed (Refer Note Nos. 8(b) and 23 of Schedule-17)		12,135.50	9,076.68
Manufacturing and Other Expenses	14	3,032.30	2,675.00
Increase in Semi-Finished Goods and Finished Goods Stock	15	(269.93)	(92.66)
Interest and Other Finance Charges (Net) (Refer Note No. 9 of Schedule-17)		67.68	160.67
Depreciation / Amortisation (Refer Note No. 26 of Schedule-17)	5	373.01	485.67
TOTAL		15,338.56	12,305.36
PROFIT BEFORE TAX		2,002.68	1,499.48
Provision for Taxation			
– for Current Tax (Refer Note No.14 of Schedule-17)		600.00	381.60
– for Deferred Tax		(15.72)	(8.82)
– for Fringe Benefit Tax		—	1.21
TOTAL		584.28	373.99
PROFIT AFTER TAX		1,418.40	1,125.49
Balance Brought Forward		2,015.17	1,564.27
Profit Available for Appropriation		3,433.57	2,689.76
APPROPRIATIONS			
Proposed Dividend		149.23	149.23
Provision for Dividend Distribution Tax on Proposed Dividend		24.21	25.36
Transfer to General Reserve		500.00	500.00
		673.44	674.59
Balance Carried to Reserves and Surplus (Schedule-2)		2,760.13	2,015.17
Basic and Diluted Earnings Per Share of ₹ 10/- each (in Rupees) (Refer Note No. 17 of Schedule-17)		57.03	45.25
SIGNIFICANT ACCOUNTING POLICIES	16		
NOTES TO THE ACCOUNTS	17		

As per our report of even date
For Deloitte Haskins & Sells
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Place : Mumbai
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CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010

	Year ended 31/12/2010	Year ended 31/12/2009
<i>(₹ in million)</i>		
(A) CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Tax	2,002.68	1,499.48
Adjustment for:		
Depreciation / Amortisation	373.01	485.67
Loss on Sale / Retirement of Fixed Assets (Net)	11.97	4.49
Loss on Sale of Trade Investment in Subsidiary	—	1.29
Provision for Diminution, other than temporary, in the value of Investment in Subsidiary	0.36	—
Interest and Other Finance Charges (Net)	67.68	160.67
Write-back / Write-off for Obsolescence of Inventory	(15.07)	17.21
Unrealised Exchange Gain (Net)	(33.28)	(153.72)
Bad Debts including Provision for Doubtful Debts (Net)	16.49	11.30
Operating Profit before Working Capital Changes	2,423.84	2,026.39
Adjustment for:		
Inventories	(960.10)	105.98
Trade and Other Receivables	(428.14)	370.91
Trade and Other Payables	424.95	734.16
Cash Generated from Operations	1,460.55	3,237.44
Direct Taxes Paid (Net)	(515.17)	(333.36)
Net Cash Generated from Operating Activities (A)	945.38	2,904.08
(B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(416.29)	(196.62)
Sale of Fixed Assets	8.95	4.49
Investment in Subsidiary	(841.27)	(480.20)
Sale of Trade Investment in Subsidiary	—	1.20
Sale of Non-Trade Investment	—	0.02
Net Cash Used in Investing Activities (B)	(1,248.61)	(671.11)
(C) CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long-term Borrowings	904.37	477.60
Repayment of Long-term Borrowings	(249.10)	(86.24)
Proceeds from / (Repayment of) Short-term Borrowings (Net)	184.81	(2,052.34)
Payment of Interest	(100.95)	(364.19)
Payment of Dividend (including Dividend Distribution Tax)	(173.92)	(174.31)
Net Cash Generated from / (Used in) Financing Activities (C)	565.21	(2,199.48)
Net Increase in Cash and Cash Equivalents (A+B+C)	261.98	33.49
Opening Cash and Cash Equivalents	104.68	71.19
Closing Cash and Cash Equivalents	366.66	104.68
(See Schedule 9)		

Note: The figures of the previous year have been regrouped / rearranged wherever necessary.

As per our report of even date
For Deloitte Haskins & Sells
Chartered Accountants

Rajesh K. Hiranandani
Partner

Place : Mumbai
Date : February 19, 2011

For and on behalf of the Board

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SCHEDULES TO THE BALANCE SHEET

	(₹ in million)	
	As at 31/12/2010	As at 31/12/2009
SHARE CAPITAL (SCHEDULE – 1)		
Authorised		
30,000,000 (As at 31/12/2009, 30,000,000) Equity Shares of ₹ 10/- each	300.00	300.00
5,500,000 (As at 31/12/2009, 5,500,000) Preference Shares of ₹ 100/- each	550.00	550.00
	850.00	850.00
Issued, Subscribed and Paid-up		
24,871,941 (As at 31/12/2009, 24,871,941) Equity Shares of ₹ 10/- each, fully paid-up. (Of the above Equity Shares, 6,831,000 (As at 31/12/2009, 6,831,000) Equity Shares are allotted as fully paid-up Bonus Shares by way of capitalisation of securities premium account)	248.72	248.72
(Of the above Equity Shares, 23,126,047 (As at 31/12/2009, 17,534,718) Equity Shares are held by MHM Holding GmbH, Germany, the Holding Company)		
	248.72	248.72
RESERVES AND SURPLUS (SCHEDULE – 2)		
Capital Reserve		
State Cash Subsidy	1.62	1.62
Securities Premium Account	806.00	806.00
General Reserve	3,004.96	2,504.96
As per last Balance Sheet	2,504.96	2,004.96
Add: Transferred from Profit and Loss Account	500.00	500.00
	3,004.96	2,504.96
Surplus Balance in Profit and Loss Account	2,760.13	2,015.17
	6,572.71	5,327.75
SECURED LOANS (SCHEDULE – 3)		
(Refer Note No. 3 of Schedule-17)		
From Banks		
Working Capital Loans	282.44	65.16
[Including Foreign Currency Loan of ₹ 201.20 million (As at 31/12/2009, Nil)]		
Foreign Currency Term Loans	1,755.17	1,129.73
[Term Loan due within one year ₹ 399.40 million (As at 31/12/2009, ₹ 250.51 million)]		
	2,037.61	1,194.89
UNSECURED LOANS (SCHEDULE – 4)		
Short Term Loans and Advances from Banks		
Foreign Currency Loans	357.68	—
Commercial Paper [Maximum amount outstanding at any time during the year ₹ 400.00 million (Previous year, ₹ 550.00 million)]	—	400.00
	357.68	400.00

FIXED ASSETS (SCHEDULE – 5)

(Refer Note No. 5 of Schedule-17)

(` in million)

PARTICULARS	GROSS BLOCK			DEPRECIATION / AMORTISATION			NET BLOCK			
	As at 01/01/2010	Additions	Deductions	As at 31/12/2010	Upto 31/12/2009	For the Year	Deductions	Upto 31/12/2010	As at 31/12/2010	As at 31/12/2009
<u>Tangible Assets:</u>										
— Freehold Land	128.30	—	—	128.30	—	—	—	—	128.30	128.30
— Leasehold Land	36.38	—	—	36.38	4.18	0.42	—	4.60	31.78	32.20
— Buildings	1,309.03	177.88	4.71	1,482.20	304.94	40.59	2.05	343.48	1,138.72	1,004.09
— Plant and Machinery	3,375.70	292.31	41.95	3,626.06	1,626.68	258.28	30.62	1,854.34	1,771.72	1,749.02
— Laboratory Equipment	124.41	5.64	17.17	112.88	68.42	14.82	16.83	66.41	46.47	55.99
— Wind Mills	19.02	—	—	19.02	19.02	—	—	19.02	—	—
— Computers	120.79	2.51	15.07	108.23	113.14	4.56	15.04	102.66	5.57	7.65
— Furniture and Fittings	89.40	2.06	—	91.46	63.36	9.65	—	73.01	18.45	26.04
— Vehicles	104.98	24.56	20.46	109.08	52.75	22.94	13.90	61.79	47.29	52.23
<u>Intangible Assets:</u>										
— Software	26.37	1.60	—	27.97	20.30	3.24	—	23.54	4.43	6.07
— Technical Know-how	92.53	—	—	92.53	50.95	18.51	—	69.46	23.07	41.58
Total (A)	5,426.91	506.56	99.36	5,834.11	2,323.74	373.01	78.44	2,618.31	3,215.80	3,103.17
Previous Year	5,238.95	214.88	26.92	5,426.91	1,856.01	485.67*	17.94	2,323.74	3,103.17	
Capital Work-in-Progress (at Cost)									64.80	104.04
Advances for Capital Expenditure (at Cost)									13.86	140.15
Total (B)									78.66	244.19
Total (A + B)									3,294.46	3,347.36

* Refer Note No. 26 of Schedule-17

	As at 31/12/2010	(₹ in million) As at 31/12/2009
INVESTMENTS (SCHEDULE – 6)		
LONG-TERM INVESTMENTS		
(At Cost, net of amount written-off, less provision for diminution in value)		
Trade Investments		
<u>Investments in Subsidiary Companies (Unquoted)</u>		
Hostmann-Steinberg Inc., a wholly owned subsidiary company incorporated in the USA		
A. Non-cumulative Redeemable Series "A" Preferred Stock with a par value of USD 0.001 per share fully paid-up		
— 500 (As at 31/12/2009, 500) shares issued in denomination of USD 32,900 (₹ 804.25 million has been written-off by way of utilisation of Reserves in the year ended December 31, 2008)	—	—
— 339 (As at 31/12/2009, 339) shares issued in denomination of USD 50,000 (₹ 783.61 million has been written-off by way of utilisation of Reserves in the year ended December 31, 2008)	—	—
— 400 (As at 31/12/2009, 400) shares issued in denomination of USD 50,000	965.70	965.70
B. Common Stock, fully paid-up		
— 2,280 Shares (As at 31/12/2009, 2,280 Shares with a par value of USD 0.01 per share)	0.11	0.11
Micro Inks (Singapore) Pte. Ltd., a wholly owned subsidiary company incorporated in Singapore (Placed under Members' voluntary winding up on June 29, 2010)		
— 1,188,397 (as at 31/12/2009, 1,188,397) Ordinary Shares with a par value of SGD 1.00 per share, fully paid-up	32.74	32.74
Hostmann-Steinberg Australia Pty. Ltd., a wholly owned subsidiary company incorporated in Australia		
— 3,300,000 (As at 31/12/2009, NIL) Ordinary Shares with a par value of AUD 1.00 per share, fully paid-up	654.47	—
Hostmann-Steinberg New Zealand Ltd., a wholly owned subsidiary company incorporated in New Zealand		
— 6,800,000 (As at 31/12/2009, NIL) Ordinary Shares, fully paid-up	186.80	—
Non-Trade Investments (Unquoted)		
Other Investments of ₹ 2,600 (As at 31/12/2009, ₹ 2,600) 100 (As at 31/12/2009, 100) Equity Shares of ₹ 25 each fully paid-up of The Shamrao Vithal Co-operative Bank Ltd.	0.00	0.00
	<u>1,839.82</u>	<u>998.55</u>
Less: Provision for Diminution in Value	27.72	27.36
	<u>1,812.10</u>	<u>971.19</u>

INVENTORIES (SCHEDULE – 7)

At lower of Cost (Less: Write-off for Obsolescence) and Net Realisable Value		
Consumable Stores	60.84	54.27
Stock-in-Trade		
Raw Materials and Packing Materials	1,721.79	1,023.12
Semi-Finished Goods	529.47	419.56
Finished Goods:		
— Manufactured	646.52	486.50
— Traded	0.03	0.03
	<u>646.55</u>	<u>486.53</u>
	<u>2,958.65</u>	<u>1,983.48</u>

	As at 31/12/2010	(₹ in million) As at 31/12/2009
SUNDRY DEBTORS (SCHEDULE – 8)		
Debts Outstanding		
Over Six Months	73.99	62.66
Others	3,646.00	3,304.29
Total Debts *	3,719.99	3,366.95
Less: Provision for Doubtful Debts	60.83	49.32
	3,659.16	3,317.63
* of the above Debts		
(a) Fully Secured, Considered Good	133.62	107.59
(b) Unsecured, Considered Good	3,525.54	3,210.04
(c) Unsecured, Considered Doubtful	60.83	49.32
Total Debts	3,719.99	3,366.95
Includes:		
1. Dues from Subsidiaries (Refer Note No. 6(a) of Schedule-17)	738.19	611.43
2. Dues from other companies under the same management within the meaning of Section 370(1B) of the Companies Act, 1956 (Refer Note No. 6(b) of Schedule-17)	989.33	1,107.31
CASH AND BANK BALANCES (SCHEDULE – 9)		
Cash and Stamps on Hand	0.73	0.98
Balances with Scheduled Banks		
— In Current Accounts	360.28	100.42
— In Dividend Accounts	3.10	3.01
— In Fixed Deposit Accounts & Margin Accounts (including interest accrued thereon)	2.55	0.27
	365.93	103.70
	366.66	104.68
LOANS AND ADVANCES (SCHEDULE – 10)		
(Unsecured – Considered Good)		
Advance Payment of Taxes (Net of Provisions)	—	43.79
Advances Recoverable in Cash or in Kind or for value to be received	416.40	325.25
Bills of Exchange	20.75	28.23
Balances with Excise and Customs Authorities	55.75	70.10
Deposits	61.43	42.91
	554.33	510.28
CURRENT LIABILITIES AND PROVISIONS (SCHEDULE – 11)		
CURRENT LIABILITIES		
Acceptances	239.79	164.74
Sundry Creditors (Refer Note No. 7 of Schedule-17)		
— Total outstanding dues of micro enterprises and small enterprises; and	13.27	15.52
— Total outstanding dues of creditors other than micro enterprises and small enterprises	2,322.18	2,113.59
	2,335.45	2,129.11
Advances from Customers	188.13	147.16
Investor Education and Protection Fund – Unpaid Dividend #	3.10	3.01
Other Liabilities	49.98	46.77
Interest Accrued but not Due on Loans	9.07	11.23
	2,825.52	2,502.02
PROVISIONS		
Provision for Income Tax (Net of Advance Payment of Taxes)	41.04	—
Proposed Dividend	149.23	149.23
Provision for Dividend Distribution Tax	24.79	25.36
Provision for Compensated Absences	30.18	22.07
Provision for Gratuity (Refer Note No. 12(a) of Schedule-17)	9.02	—
	254.26	196.66

This figure reflects the position of unclaimed dividend as at December 31, 2010. The actual amount to be transferred to the Investor Education and Protection Fund in this respect shall be determined on the due dates.

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

	(₹ in million)	
	Year ended 31/12/2010	Year ended 31/12/2009
SALES AND OTHER OPERATING INCOME (SCHEDULE – 12)		
Sales (Domestic)	8,648.12	7,327.18
Sales (Export) (Refer Note No. 8(a) of Schedule-17)	9,294.68	6,907.47
Other Operating Income	102.03	76.90
	<u>18,044.83</u>	<u>14,311.55</u>
OTHER INCOME (SCHEDULE – 13)		
Sale of Scrap Material	39.40	36.93
Miscellaneous Income	4.89	3.10
	<u>44.29</u>	<u>40.03</u>
MANUFACTURING AND OTHER EXPENSES (SCHEDULE – 14)		
Salaries, Wages and Bonus	617.29	504.93
Staff Welfare Expenses	25.91	21.44
Contribution to Provident Fund and Other Funds (Refer Note No. 12 of Schedule-17)	33.27	12.15
	<u>676.47</u>	<u>538.52</u>
Power and Fuel	647.91	557.24
Consumable Stores	68.07	73.98
Insurance	22.02	22.29
Telephone	7.24	7.47
Travelling and Conveyance	24.50	27.07
Office and Godown Rent	14.31	13.01
Rates and Taxes	4.31	18.29
Sales Commission	18.49	18.89
Freight Outward	596.70	483.51
Discount and Deductions	225.84	189.77
Repairs and Maintenance — Buildings	23.82	28.85
— Machinery	90.65	78.80
— Electricals	16.97	14.53
	<u>131.44</u>	<u>122.18</u>
Loss on Sale / Retirement of Fixed Assets (Net)	11.97	4.49
Loss on Sale of Trade Investment in Subsidiary	—	1.29
Royalty	248.00	201.01
Miscellaneous Expenses (Refer Note No. 10 of Schedule-17)	335.03	395.99
	<u>3,032.30</u>	<u>2,675.00</u>
INCREASE IN SEMI-FINISHED GOODS AND FINISHED GOODS STOCK (SCHEDULE – 15)		
Opening Stock — Semi-Finished Goods	419.56	478.19
— Finished Goods (including Goods Traded)	486.53	335.24
TOTAL (A)	<u>906.09</u>	<u>813.43</u>
Closing Stock — Semi-Finished Goods	529.47	419.56
— Finished Goods (including Goods Traded)	646.55	486.53
TOTAL (B)	<u>1,176.02</u>	<u>906.09</u>
(A) - (B)	<u>(269.93)</u>	<u>(92.66)</u>

SCHEDULES FORMING PART OF THE ACCOUNTS

SIGNIFICANT ACCOUNTING POLICIES (SCHEDULE – 16)

1. Accounting Assumption

The financial statements have been prepared under historical cost convention on an accrual basis and in accordance with the generally accepted accounting principles in India and the applicable Accounting Standards specified in the Companies (Accounting Standards) Rules, 2006, notified by the Central Government in terms of Section 211(3C) of the Companies Act, 1956.

2. Use of Estimates

The preparation and presentation of financial statements in conformity with the generally accepted accounting principles requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the year. Examples of such estimates include provisions for doubtful debts, employee retirement benefit plans, provision for income taxes and the useful lives of fixed assets. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. The actual results could differ from these estimates and the differences between the actual result and estimates are recognised in the period in which the results are known / materialised.

3. Fixed Assets

Fixed assets are stated at historical cost of acquisition or construction less accumulated depreciation / amortisation. All costs relating to the acquisition of or construction of the asset to bring it to the site and in working condition for its intended use are capitalised. The cost excludes the duty benefits admissible against installation of the specific assets.

Where the construction or development of any such asset requiring substantial period of time to set up for its intended use, is funded by borrowings, the corresponding borrowing costs are capitalised upto the date when the asset is ready for its intended use in accordance with the Accounting Standard-16 "Borrowing Costs".

Advances paid towards acquisition or construction of fixed assets and the cost of assets not put to use as at reporting date are disclosed under capital work-in-progress.

4. Intangible Assets

Intangible assets comprising of costs incurred to acquire computer software licences and technical know-how are stated at cost less accumulated amortisation.

Where the development of any such asset requiring substantial period of time for its intended use, is funded by borrowings, the corresponding borrowing costs are capitalised upto the date when the asset is ready for its intended use in accordance with the Accounting Standard -16 "Borrowing Costs".

Advances paid towards acquisition of intangible assets, which are not put to use as at reporting date, are disclosed under capital work-in-progress.

5. Depreciation / Amortisation

Depreciation on fixed assets is provided on the Straight Line Method, at rates derived on the basis of the estimated useful lives of the assets determined by the management as given below, except that depreciation on Buildings and Plant and Machinery, other than those described below, is provided at the rates prescribed in Schedule XIV of the Companies Act, 1956.

S. No.	Type of Assets	Useful Life (in Years)
(a)	Plant and Machinery:	
	(i) Contribution to Common Effluent Treatment Plant, Factory Equipment, Material Handling Equipment and Storage Tank with third party	15
	(ii) Air Conditioner, Fire and Safety Equipment, Forklift Truck, Stacker and Weighing Balance	10
	(iii) Fire Tender and Tractor and Trailer	8
	(iv) Communication Equipment (Other than Mobile Phone), Office Equipment, Photocopier and Refrigerator	5
	(v) Mobile Phone and Tote Bin	3
(b)	Laboratory Equipment	10
(c)	Computers	3
(d)	Furniture and Fittings	10
(e)	Vehicles	5
(f)	Intangible Assets:	
	(i) Software	4
	(ii) Technical Know-how	5

Leasehold Land is amortised over the unexpired period of lease.

Depreciation on assets not owned by the Company included in the Gross Block is provided over the estimated period of the economic life of the assets.

Assets costing ₹ 5,000/- or less are fully depreciated in the year of acquisition.

Depreciation is charged on *pro-rata* basis for the assets purchased / sold during the year.

6. Impairment of Assets

At each Balance Sheet date, the management makes an assessment whether there is any indication that an asset / cash generating units may be impaired. If any such indication exists, the Company estimates the recoverable amount of those assets / cash generating units and an impairment loss is recognised, if the carrying amount of those assets / cash generating units exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. Value in use is arrived at by discounting future cash flows to their present value based on appropriate discounting factor. When there is indication as at each Balance Sheet date, that an impairment loss recognised for asset in prior accounting year no longer exists or may have decreased such reversal of impairment loss is recognised.

7. Investments

Long-term investments are stated at the cost, net of amount written-off, less provision for diminution in value other than temporary. Investments that are readily realisable and intended to be held for not more than a year from the date of investment are classified as current investments. Current investments are stated at lower of cost and fair value.

8. Inventories

The finished and semi-finished inventories are valued at lower of cost on absorption basis and net realisable value.

The raw materials and packing materials are valued at lower of cost and net realisable value. However, materials and other items held for use in production of finished goods are not written down below cost if the products, in which they will be incorporated, are expected to be sold at or above cost. Cost is determined on a transactional weighted average basis, net of CENVAT benefits availed by the Company. The items imported under Duty Entitlement Pass Book (DEPB) / Duty Free Replenishment Certificate (DFRC) / Advance Licence (AL) / Special Import Licence (SIL) are valued inclusive of the notional duty benefits availed.

Damaged, unserviceable and inert stocks are suitably provided for.

Excise Duty and Customs Duty payable on goods held in the bonded warehouse are provided in the valuation of inventory.

Excise Duty payable on finished goods is included in the valuation of inventory.

Consumables and other spares, tools, etc., are valued at lower of cost (transactional weighted average cost, net of CENVAT benefits availed by the Company) and net realisable value.

9. Employee Benefits

The Company has both defined contribution and defined benefit plans, of which some have assets in special funds or similar securities. The plans are financed by the Company and in the case of defined contribution plans by the Company along with its employees.

(a) Defined Contribution Plan

These are plans in which the Company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to the Employee's Provident Fund and Family Pension Fund which are reported as expenses in the Profit and Loss Account for the year in which the employees perform the services.

(b) Defined Benefit Plan

At the reporting date, the Company's liabilities towards Gratuity and Compensated absences are determined by independent actuarial valuation using the projected unit credit method which considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past services are recognised on a straight-line basis over the average period until the amended benefits become vested. Actuarial gain and losses are recognised immediately in the Profit and Loss Account as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the Balance Sheet date on Government bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

Gratuity to employees is covered under Group Gratuity Life Assurance Scheme of the Life Insurance Corporation of India.

The Company recognises in the Profit and Loss Account the undiscounted amount of short-term employee benefits like Medical Reimbursement, Leave Travel Assistance, etc., during the financial year based on service rendered by the employees.

10. Provisions and Contingencies

A provision is recognised when the Company has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value but are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate. Contingent liabilities are not recognised in the Profit and Loss Account but are disclosed in the Notes to the Accounts.

11. Revenue Recognition

Domestic Sales are recognised at the time of despatch to the customer, invoicing being the conclusive event. Export Sales are recognised on the basis of dates of bills of lading.

Gross Sales include the excise duty recovered but exclude customs duty, education cess, sales tax and are net of trade discounts. Other recoveries charged separately in the invoice are set off against the respective expenditure heads.

12. Export Benefits

Export entitlements under Duty Entitlement Pass Book (DEPB) and Duty Free Replenishment Certificate (DFRC) scheme are recognised in the Profit and Loss Account when the right to receive credit as per the terms of the scheme is established in respect of the exports.

Obligation / Entitlement on account of Advance Licence (AL) and Special Import Licence (SIL) scheme for import of raw material is accounted for on purchase of raw material and / or export sale.

Export benefits from DEPB and DFRC are considered as 'Other Operating Income'. Benefits from AL and SIL are netted from 'Materials Consumed'.

13. Research and Development

Expenditure incurred during research phase is recognised as expense when incurred.

Expenditure incurred during development phase is capitalised as Fixed Asset(s) if it can be demonstrated that such expenditure would result in future economic benefit.

Other development expenditure is recognised as expense when incurred.

14. Foreign Currency Translations

Transactions in foreign currency are recorded at the rates of exchange in force at the time of occurrence of the transactions.

Monetary items denominated in foreign currency as at the reporting date are stated at the rates of exchange prevailing at the reporting date and resultant gains / losses are adjusted to Profit and Loss Account.

Forward contracts to which Accounting Standard -11 'The Effect of Change in Foreign Exchange Rates' has been applied, the premium or discount arising at the inception of such forward exchange contracts is amortised as expense or income over the life of the relevant contracts. Exchange differences on such contracts are recognised as expense or income in the Profit and Loss Account in the reporting period in which the exchange rates change.

Derivative contracts open as at reporting date, other than the forward contracts to which Accounting Standard-11 'The Effect of Change in Foreign Exchange Rates' has been applied, are marked to market keeping in view the principle of prudence.

15. Assets Taken on Lease

Operating lease payments are recognised as expenditure in the Profit and Loss Account on a straight-line basis, representative of the time pattern of benefits received from the use of the assets taken on lease.

16. Loan Processing Fees

The processing fees paid on availing of loans have been charged upfront to the Profit and Loss Account when incurred.

17. Taxation

The provision for Current Income Tax is the aggregate of the balance provision for tax for three months ended March 31, 2010, and the estimated provision based on the taxable profit of remaining months upto December 31, 2010, the actual tax liability, for which, will be determined on the basis of the results for the period April 1, 2010 to March 31, 2011 in accordance with the Income-tax Act, 1961.

Provision for Fringe Benefit Tax (FBT) is made in accordance with the provisions of the Income-tax Act, 1961. Pursuant to enactment of Finance Act, 2009, Fringe Benefit Tax (FBT) stands abolished w.e.f. April 1, 2009.

Deferred Tax is recognised, on timing differences (other than those which are expected to be reversed during the tax holiday period), being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred Tax Assets are recognised if there is reasonable certainty that there will be sufficient future taxable income to realise such assets. In situations where the Company has unabsorbed depreciation or carry forward losses under tax laws, Deferred Tax Assets are recognised only to the extent that there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income to realise such assets. The carrying amount of Deferred Tax Assets is reviewed at each Balance Sheet date and is written down to the extent that it is no longer reasonably / virtually certain that sufficient future taxable income will be available against which Deferred Tax Asset can be realised.

18. Earnings Per Share

Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issues and share split.

For the purpose of calculating Diluted Earnings Per Share, the net profit for the year attributable to equity shareholders and the weighted average number of equity shares outstanding during the year are adjusted for the effect of all dilutive potential equity shares.

SCHEDULES FORMING PART OF THE ACCOUNTS

NOTES TO THE ACCOUNTS (SCHEDULE – 17)

(₹ in million)

1. Contingent Liabilities not provided for, in respect of:		As at 31/12/2010	As at 31/12/2009
(a)	Counter Guarantees given to banks	103.12	84.76
(b)	Corporate Guarantees given to banks on behalf of a Subsidiary Company [USD 10 million (As at 31/12/2009, USD 12.80 million)] [Amount outstanding USD 5 million, ₹ 223.55 million (As at 31/12/2009, USD 10.30 million, ₹ 479.36 million)]	447.10	595.84
(c)	Income Tax, Fringe Benefit Tax, Sales Tax, Central Excise and Service Tax demands:		
(i)	in respect of matters which are contested by the Company	62.66	80.23
(ii)	in respect of matters decided in Company's favour where the department is in further appeal	342.60	347.75
(d)	Cases filed against the Company in respect of Labour Laws	2.43	1.60
(e)	Bills Discounted	595.12	220.44

(₹ in million)

2. Capital Commitments:		As at 31/12/2010	As at 31/12/2009
Estimated amount of contracts remaining to be executed on Capital Account and not provided for [net of advances of ₹ 13.86 million (As at 31/12/2009, ₹ 140.15 million)]		60.58	74.07

3. Security for Loans:

- (a) ECB Loan of ₹ 86.30 million (USD 2 million) [As at 31/12/2009, ₹ 172.63 million (USD 4 million)] from ICICI Bank Limited, Singapore, is secured by way of *pari-passu* first charge on movable properties (save and except stocks and book debts), both present and future, of the Company.
- (b) ECB Loan of ₹ 163.70 million (USD 3.33 million) [As at 31/12/2009, ₹ 245.80 million (USD 5 million)] from The Hong Kong and Shanghai Banking Corporation Limited, Hong Kong, ECB Loan of ₹ 342.71 million (USD 7.33 million) [As at 31/12/2009, ₹ 432.00 million (USD 9 million)] from Standard Chartered Bank, United Kingdom, ECB Loan of ₹ 268.26 million (USD 6 million) [(As at 31/12/2009, ₹ 279.30 million (USD 6 million)] from DBS Bank Limited, Singapore, and ECB Loan of ₹ 894.20 million (USD 20 million) (As at 31/12/2009, Nil) from Australia and New Zealand Banking Group Limited, Singapore, are secured or to be secured by way of first *pari-passu* charge on immovable and movable properties (save and except stocks and book debts), both present and future, of the Company.
- (c) Working capital loans [including Foreign Currency Loan of ₹ 201.20 million (USD 4.50 million) (As at 31/12/2009, Nil)] are secured by way of first *pari-passu* charge on all the stocks and book debts, both present and future, and are further secured by way of second charge on the immovable properties, both present and future, of the Company.

4. (a) The following are the outstanding derivative instruments:

	Type of Contract	Purpose of Contract	No. of Contracts	Currency	Value in FC (in million)	Value in INR (in million)
(i)	Forward Contracts – Buy	Hedging	3	USD	15.00	670.65
			—		—	—
(ii)	Interest Rate Swap Contract (Notional Principal)	Hedging	3	USD	12.00	536.52
			(3)	USD	(14.00)	(651.70)
(iii)	Currency Coupon Swap Contract	Hedging	2	USD	6.66	297.90
			(2)	USD	(10.00)	(465.50)
(iv)	Principal Only Swap Contract	Hedging	1	USD	1.97	87.96
			(1)	USD	(4.00)	(186.20)

Figures within brackets relate to as at 31/12/2009.

(b) The net foreign currency exposure that have not been hedged by derivative instruments or otherwise:						
		Currency	As at 31/12/2010		As at 31/12/2009	
			Value in FC (in million)	Value in INR (in million)	Value in FC (in million)	Value in INR (in million)
(i)	Receivable	AUD	8.60	391.31	4.78	200.04
		EUR	0.02	1.03	0.45	30.23
		CHF	0.07	3.47	—	—
		GBP	0.02	1.51	—	—
		USD	—	—	2.19	101.19
(ii)	Payables	GBP	—	—	0.03	2.17
		USD	35.56	1,590.04	—	—

5. Fixed Assets where ownership is not with the Company:

- (a) Plant and Machinery includes HT line installation having net block of ₹ 23.60 million (As at 31/12/2009, ₹ 17.15 million), the ownership of which rests with the Electricity Company / Board.
- (b) Plant and Machinery includes contribution for Common Effluent Treatment Plant having net block of ₹ 1.29 million (As at 31/12/2009, ₹ 2.12 million), the ownership of which rests with a third party.

6. (a) Dues from Subsidiaries:

(₹ in million)

		As at 31/12/2010	As at 31/12/2009
(i)	Hostmann-Steinberg Inc., USA	346.88	611.43
(ii)	Hostmann-Steinberg Australia Pty. Ltd., Australia	391.31	—
	Total	738.19	611.43

(b) Dues from other companies under the same management within the meaning of Section 370(1B) of the Companies Act, 1956:

(₹ in million)

		As at 31/12/2010	As at 31/12/2009
(i)	Michael Huber München GmbH, Germany	394.77	360.29
(ii)	Hostmann-Steinberg GmbH, Germany	351.63	268.47
(iii)	Stehlin + Hostag AG, Switzerland	94.94	189.74
(iv)	Hostmann-Steinberg Limited, Canada	41.12	33.75
(v)	Huber Chile S.A., Chile	3.98	1.96
(vi)	Huber Italia S.p.A., Italy	22.23	6.97
(vii)	Hostmann-Steinberg Australia Pty. Ltd., Australia	—	200.04
(viii)	Huber Inks (Shenzhen) Ltd., China	21.13	20.78
(ix)	Hostmann-Steinberg South Africa (Pty.) Ltd., South Africa	—	1.90
(x)	PT Huber Inks Indonesia, Indonesia	27.48	23.41
(xi)	Hostmann-Steinberg Tintas Graficas Brasil Ltda., Brazil	4.13	—
(xii)	Michael Huber Austria GmbH, Austria	27.92	—
	Total	989.33	1,107.31

- 7. (a)** Sundry Creditors include principal amount of ₹ 13.27 million (As at 31/12/2009, ₹ 15.52 million) and Nil interest due thereon to the suppliers covered under Micro, Small and Medium Enterprises Development Act, 2006.
- (b)** No interest was paid during the current year as well as during the previous year by the Company to such suppliers.
- (c)** No interest is due and payable for the period of delay in making payment, if any, at the end of the current year as well as previous year by the Company to such suppliers.
- (d)** No interest was accrued and remains unpaid at the end of the current year as well as previous year by the Company to such suppliers.

The above information has been determined to the extent such suppliers have been identified on the basis of information available with the Company.

8. (a) Sales (Export) is net of exchange rate fluctuation loss of ₹ 57.37 million (Previous year, ₹ 117.88 million).
 (b) Materials Consumed includes exchange rate fluctuation gain on imported materials of ₹ 1.64 million (Previous year, loss of ₹ 17.16 million).

9. **Interest and Other Finance Charges of ₹ 67.68 million (Previous year, ₹ 160.67 million) is arrived at as under:**

(₹ in million)

		Year ended 31/12/2010	Year ended 31/12/2009
(a)	Interest on Fixed Period Loans	31.21	54.59
(b)	Other Interest	40.10	85.57
(c)	Loss on Swapping Interest Coupon	45.96	35.11
(d)	Exchange Rate Fluctuation Gain on Foreign Currency Loans	(46.16)	(6.75)
		71.11	168.52
	Less:		
(e)	Interest Received from Customers and Others (Gross) [Tax Deducted at Source ₹ 0.25 million (Previous year, ₹ 0.79 million)]	2.60	2.62
(f)	Interest Received on Income-tax Refund of earlier years	0.83	5.23
	Total	67.68	160.67

10. **Miscellaneous Expenses under Manufacturing and Other Expenses (Schedule-14) includes:**

(₹ in million)

		Year ended 31/12/2010	Year ended 31/12/2009
(a)	Auditors' Remuneration		
	(i) Audit Fees	1.80	2.10
	(ii) Other Matters	0.59	2.53
	(iii) Taxation Matters	0.13	0.68
		2.52	5.31
(b)	Bad Debts Including Provision for Doubtful Debts	16.49	11.30
(c)	Directors' Sitting Fees	0.82	0.88
(d)	Provision for diminution, other than temporary, in the value of investment in Micro Inks (Singapore) Pte. Ltd., Singapore	0.36	—
(e)	Excise Duty#	8.18	9.35

Relates to the difference between closing and opening stock. Excise Duty recovered from customers is shown as a deduction from Sales and Other Operating Income (Gross) in Profit and Loss Account.

11. In compliance with the Announcement dated March 29, 2008, by the Institute of Chartered Accountants of India, the Company has provided for, as at 31/12/2010, loss of ₹ 12.06 million (As at 31/12/2009, ₹ 3.50 million) on all outstanding derivative contracts by marking them to market keeping in view the principle of prudence, other than for forward contracts to which Accounting Standard-11 "The Effect of Change in Foreign Exchange Rates" has been applied.

12. **Employee Benefits:**

- (a) **Defined Benefit Plans** – The Company makes annual contributions to the Micro Inks Limited Employees' Gratuity Trust, who in-turn, has taken Group Gratuity Scheme of the Life Insurance Corporation of India, which is a funded defined benefit plan for qualifying employees. The scheme provides for lump-sum payment to vested employees at retirement, death while in employment or on termination of employment as per the Company's Gratuity Scheme. Vesting occurs upon completion of five years of service.

(₹ in million)

Expense recognised during the year [included in Manufacturing and Other Expenses (Schedule-14) of Profit and Loss Account]:		31/12/2010	31/12/2009			
(i)	Current Service Cost	3.66	3.17			
(ii)	Interest Cost	3.11	2.63			
(iii)	Expected Return on Plan Assets	(3.79)	(5.03)			
(iv)	Past Service Cost – Vested Benefit	5.47	—			
(v)	Actuarial Losses / (Gains)	7.04	(2.47)			
	Total	15.49	(1.70)			
Change in the Obligation during the year:						
(i)	Present Value of Defined Benefit Obligation at the beginning of the year	38.22	39.27			
(ii)	Current Service Cost	3.66	3.17			
(iii)	Interest Cost	3.11	2.63			
(iv)	Benefit Paid	(2.28)	(1.31)			
(v)	Past Service Cost – Vested Benefit	5.47	—			
(vi)	Actuarial Losses / (Gains)	7.40	(5.54)			
	Present Value of Defined Benefit Obligation at the end of the year	55.58	38.22			
Change in Assets during the year:						
(i)	Plan Assets at the beginning of the year	44.69	20.03			
(ii)	Employer Contributions	—	24.01			
(iii)	Expected Return on Plan Assets	3.79	5.03			
(iv)	Benefit Paid	(2.28)	(1.31)			
(v)	Actuarial Gains / (Losses)	0.36	(3.07)			
	Plan Assets at the end of the year	46.56	44.69			
The major categories of Plan Assets as a percentage of total plan:						
	Qualifying Insurance Policy*	100%	100%			
Reconciliation of Net Asset / (Liability) recognised in the Balance Sheet during the year:						
(i)	Net Asset / (Liability) at the beginning of the year	6.47	(19.24)			
(ii)	Employer (Expense) / Income	(15.49)	1.70			
(iii)	Employer Contributions	—	24.01			
(iv)	Net (Liability) / Asset at the end of the year	(9.02)	6.47			
(v)	Actual Return on Plan Assets	4.15	1.96			
Actuarial Assumptions:						
(i)	Discount Rate	8.50%	8.25%			
(ii)	Expected Rate of Return on Plan Assets	8.00%	8.00%			
(iii)	Expected Rate of Salary Increase	5.00%	5.00%			
(iv)	Attrition Rate	2.00%	2.00%			
(v)	Maximum Gratuity Payable per person	1.00	0.35			
(vi)	Mortality Post-Retirement	LIC (1994-96) Ultimate				
Contribution expected to be paid to the plan during the next financial year		3.73	9.19			
Amounts for the current and previous years / period are as follows:						
		Year ended 31/12/2010	Year ended 31/12/2009	Year ended 31/12/2008	Year ended 31/12/2007	Nine-month period ended 31/12/2006
(i)	Defined Benefit Obligation	55.58	38.22	39.27	27.39	23.06
(ii)	Plan Assets	46.56	44.69	20.03	17.89	16.16
(iii)	(Deficit) / Surplus	(9.02)	6.47	(19.24)	(9.50)	(6.90)
(iv)	Experience Adjustments on Plan Assets	0.36	(3.07)	(0.11)	(0.13)	0.97
(v)	Experience Adjustments on Plan Liabilities	7.40	(5.54)	9.87	3.32	3.01

* The details of the Composition of investments made by the Insurer are not readily available with the Company.

(b) Defined Contribution Plans:

Amount recognised as an expense and included in the Manufacturing and Other Expenses (Schedule-14) of the Profit and Loss Account ₹ 17.79 million (Previous year, ₹ 13.85 million).

- (c) Expected rate of return on assets is taken on the basis of the benchmark rate on Government Securities for the tenure of payment.
- (d) The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.
- (e) The Payment of Gratuity (Amendment) Bill, 2010, has been notified by the Central Government, amending the maximum gratuity payable under the Payment of Gratuity Act, 1972, from ₹ 0.35 million to ₹ 1.00 million. The Company has given effect of the same in valuing its actuarial liability for gratuity as at December 31, 2010. This has resulted in an additional charge for gratuity of ₹ 5.47 million.

13. Managerial Remuneration:

(Excluding provision for compensated absences and gratuity on retirement since the same is provided on an actuarial basis for the Company as a whole.)

(a) Manufacturing and Other Expenses under Schedule-14 include Managerial Remuneration as under: (₹ in million)			
		Year ended 31/12/2010	Year ended 31/12/2009
(i)	Salary	8.71	7.76
(ii)	Perquisites	0.05	0.07
(iii)	Contribution to Provident Fund	0.76	0.69
(iv)	Commission to Non-Executive Directors	3.81	2.50
Total		13.33	11.02
(b) Computation of Net Profit in accordance with Sections 198 and 309(5) of the Companies Act, 1956, and calculation of commission payable to Directors: (₹ in million)			
		Year ended 31/12/2010	Year ended 31/12/2009
Profit Before Tax		2,002.68	1,499.48
Add:	Managerial Remuneration	13.33	11.02
	Directors' Sitting Fees	0.82	0.88
	Provision for Diminution, other than temporary, in value of investment	0.36	—
	Provision for Doubtful Debts	41.37	21.03
		2,058.56	1,532.41
Less:	Reversal of Provision for Doubtful Debts	26.54	10.40
	Bad Debts Written-off against Provision for Doubtful Debts	3.32	110.86
	Capital Surplus on Sale / Retirement of Fixed Assets	—	0.16
	Wealth Tax	0.54	0.52
Profit U/s 349 of the Companies Act, 1956		2,028.16	1,410.47
Commission Payable to Non-Executive Directors:			
	Maximum allowed U/s 309 of the Companies Act, 1956	20.28	14.10
	Amount provided	3.81	2.50
Remuneration Payable to Managing Director			
	Maximum allowed U/s 309 of the Companies Act, 1956	101.41	70.52
Amount Paid / Payable		9.52	8.52

14. Provision for current tax of ₹ 600.00 million (Previous year, ₹ 381.60 million) includes provision for wealth tax of ₹ 0.54 million (Previous year, ₹ 0.52 million) and tax provisions in respect of earlier years ₹ 77.00 million (Previous year, Nil).
15. Revenue expenditure on Research and Development amounting to ₹ 40.08 million (Previous year, ₹ 44.15 million) has been charged to Profit and Loss Account and capital expenditure relating to Research and Development amounting to ₹ 1.10 million (Previous year, ₹ 0.05 million) has been included in 'Fixed Assets (Schedule-5)'.¹

16. **Components of Deferred Tax Assets and Liabilities:**

(₹ in million)

Particulars	As at 31/12/2010	As at 31/12/2009
Deferred Tax Liability		
Depreciation	385.51	393.91
Total (A)	385.51	393.91
Deferred Tax Assets		
Provision for Doubtful Debts	18.01	15.11
Provision for Compensated Absences / Gratuity	12.03	6.49
Provision for items covered U/s. 43B of the Income-tax Act, 1961	6.61	7.73
Total (B)	36.65	29.33
Net Deferred Tax Liability (A-B)	348.86	364.58

17. Earnings Per Share (Basic and Diluted):	Year ended 31/12/2010	Year ended 31/12/2009
Profit After Tax (₹ million)	1,418.40	1,125.49
Weighted Average Number of Equity Shares Outstanding during the financial year (in million)	24.87	24.87
Basic and Diluted Earnings Per Share of ₹ 10 each (in Rupees)	57.03	45.25

(₹ in million)

18. Expenditure in Foreign Currency (Gross):	Year ended 31/12/2010	Year ended 31/12/2009
(a) Professional and Consultation Fees	0.08	0.91
(b) Interest	42.11	71.34
(c) Travelling	3.59	4.59
(d) Royalty	248.00	201.01
(e) Others	54.88	142.13
Total	348.66	419.98

19. Remittances in Foreign Currency for Dividend:	Year ended 31/12/2010	Year ended 31/12/2009
Number of Non-Resident Equity Shareholder(s)	1	1
Number of Equity Shares held by them	21,877,112	17,534,718
Gross Amount of Dividend (₹ million)	131.26	105.21
Financial Year to which it pertains	2009	2008

(₹ in million)

20. Earnings in Foreign Exchange:	Year ended 31/12/2010	Year ended 31/12/2009
Exports at F.O.B. Value	9,014.51	6,761.66

(₹ in million)

21. C.I.F. Value of Imports:		Year ended 31/12/2010	Year ended 31/12/2009
(a)	Raw Materials	5,985.40	3,948.02
(b)	Stores and Spares	8.65	11.39
(c)	Capital Goods	39.69	5.78
(d)	Goods Traded	5.27	6.28

22. The Company's significant leasing arrangements in respect of Operating Lease are:

- (a) The Company has entered into a Lease Agreement for Power Generating Equipment and Waste Heat Recovery Equipment. The lease agreement is cancellable by giving notice for the specified period. The Agreement is renewable on mutually agreed terms after completion of the initial lease period. During the year, the Company has paid ₹ 49.84 million (Previous year, ₹ 46.83 million) as Standby Charges (Minimum Charges) and ₹ 12.12 million (Previous year, ₹ 7.93 million) as Variable Charges (Contingent Charges) for the electricity generated and these amounts are included in 'Miscellaneous Expenses' under Manufacturing and Other Expenses (Schedule-14).
- (b) Lease arrangements for Premises in respect of Marketing Offices, Matching Centers and Depots are usually renewable on mutually agreed terms but are cancellable. Lease payments in respect of these premises are disclosed as 'Office and Godown Rent' under Manufacturing and Other Expenses (Schedule-14).
- (c) Lease arrangements for Premises for residential use of employees are usually renewable on mutually agreed terms but are cancellable. Lease payments in respect of these premises aggregating ₹ 0.57 million (Previous year, ₹ 0.75 million) are included in 'Salaries, Wages and Bonus' under Manufacturing and Other Expenses (Schedule-14).

(₹ in million)

23. Materials Consumed *	Year ended 31/12/2010		Year ended 31/12/2009	
	Qty. (MT)	Value	Qty. (MT)	Value
Pigments	8,772	614.55	8,018	608.37
Resins	5,130	506.39	4,707	439.82
Solvents	28,457	1,760.93	24,626	1,213.28
Additives	3,780	669.17	3,282	535.26
Minerals and Vegetable Oils	39,320	1,926.06	34,654	1,525.14
Chemicals and Dyes	91,588	5,933.52	79,984	4,125.79
Packing Materials		724.88		629.02
Total		12,135.50		9,076.68

*Excludes materials manufactured and consumed internally as shown in Note 25(b).

24. Consumption of imported and indigenous Materials and Stores and Spares and the percentage of each to the total consumption:

(₹ in million)

	Year ended 31/12/2010		Year ended 31/12/2009	
	Value (₹ million)	% of Total Consumption	Value (₹ million)	% of Total Consumption
(a) Materials Consumed				
(i) Imported	5,683.86	46.84	4,413.46	48.62
(ii) Indigenous	6,451.64	53.16	4,663.22	51.38
Total	12,135.50	100.00	9,076.68	100.00
(b) Stores and Spares*				
(i) Imported	46.68	32.50	14.61	12.08
(ii) Indigenous	96.96	67.50	106.29	87.92
Total	143.64	100.00	120.90	100.00

* Includes amount debited to repairs and maintenance and consumable stores.

25. Capacities, Production, Stock and Sales:**(a) Capacities and Production:**

Class of Goods	Unit	Installed Capacity Per Annum as at*		Actual Production during the Year ended	
		31/12/2010	31/12/2009	31/12/2010	31/12/2009
Printing Inks	MT	203,000	203,000	141,483	122,713
Resins and Varnishes #	MT	55,600	55,600	35,102	30,779
Pigment / Flush Colours @	MT	46,500	46,500	4,657	3,899
Wire Enamels	MT	3,450	3,450	3,064	2,585
Press Chemicals	MT	5,000	5,000	1,667	1,352
By Products	MT	—	—	134	29

* As certified by the Management.

Based on available Capacity for production of Resins. Actual production includes Resins and Varnishes.

@ Based on available Capacity for production of Flush Colours. Actual production includes Pigment / Flush Colours.

Notes:

[1] Under the Industrial Policy Statement dated July 24, 1991, and the Notifications issued there under, there is no licensing requirement for the Company's products.

[2] Capacity of Resins and Pigments / Flush Colours is total capacity available for captive and outside sales.

(b) Particulars of Stock and Sales:

(₹ in million)

Class of Goods Manufactured / Traded	Opening Stock		Closing Stock		Captive Consumption		Sales	
	Qty. (MT)	Value	Qty. (MT)	Value	Qty. (MT)	Value	Qty. (MT)	Value
Printing Inks	3,951	413.01	3,987	501.70	29,395	3,460.03	112,052	14,761.48
	(2,111)	(263.60)	(3,951)	(413.01)	(25,158)	(2,822.72)	(95,716)	(11,998.74)
Resins and Varnishes	514	37.39	833	90.28	14,825	1,343.73	19,958	2,061.03
	(405)	(34.07)	(514)	(37.39)	(13,393)	(1,012.68)	(17,277)	(1,373.37)
Pigments / Flush Colours	156	27.55	204	41.52	1,974	436.62	2,635	603.08
	(123)	(26.71)	(156)	(27.55)	(1,781)	(384.83)	(2,086)	(472.24)
Wire Enamels	60	4.96	56	6.07	35	3.78	3,033	345.93
	(67)	(6.55)	(60)	(4.96)	(24)	(2.58)	(2,568)	(254.83)
Press Chemicals	70	3.59	80	5.05	Nil	Nil	1,657	142.49
	(50)	(2.94)	(70)	(3.59)	(Nil)	(Nil)	(1,331)	(114.35)
By Products	Nil	Nil	Nil	Nil	Nil	Nil	134	1.04
	(Nil)	(Nil)	(Nil)	(Nil)	(Nil)	(Nil)	(29)	(0.33)
Goods Traded* (Machinery and Others)		Nil		1.90		2.70		27.75
		(Nil)		(Nil)		(4.10)		(20.62)
Goods Traded#	0	0.03	0	0.03		Nil		Nil
	(6)	(1.37)	(0)	(0.03)	(2)	(0.53)	(4)	(0.17)
Total	4,751	486.53	5,160	646.55	46,229	5,246.86	139,469	17,942.80
	(2,762)	(335.24)	(4,751)	(486.53)	(40,358)	(4,227.44)	(119,011)	(14,234.65)

Figures within brackets relate to previous year.

* Diverse quantity units. Purchases / Cost of Sales value ₹ 27.14 million (Previous year, ₹ 25.23 million).

There is no purchase made during the current year as well as previous year. Opening and Closing Stock Qty. (MT) '0' denotes 94 Kgs.

26. Micro Inks Limited had reviewed the useful lives of certain categories of fixed assets in the previous year. Consequently, depreciation rates on these categories of assets had been revised, resulting in an additional charge for depreciation by ₹ 151.51 million in the previous year and a corresponding reduction in profit before tax for that year by a like amount.

27. (a) The Company has investments in Hostmann-Steinberg Inc., USA, a wholly-owned subsidiary at a carrying value of ₹ 965.81 million (As at December 31, 2009, ₹ 965.81 million). The carrying values of these investments are after writing-off of ₹ 1,587.86 million, in an earlier year, by utilising the credit balances in Securities Premium Account / Capital Redemption Reserve, in accordance with the requisite approvals. The accumulated losses as at December 31, 2010, of Hostmann-Steinberg Inc., USA, are ₹ 3,629.97 million (including a profit of ₹ 29.41 million earned during the year). As a result, the net worth in Hostmann-Steinberg Inc., USA, as at December 31, 2010, is ₹ 848.98 million (As at December 31, 2009, ₹ 853.82 million).
- (b) The Company also has an outstanding of ₹ 346.88 million (net) [(As at December 31, 2009, ₹ 564.07 million (net))] on account of debtors from Hostmann-Steinberg Inc., USA, and has given corporate guarantee of ₹ 447.10 million (As at December 31, 2009, ₹ 595.84 million), on their behalf, for loans given by banks.
- (c) The management, including that of Hostmann-Steinberg Inc., USA, has been implementing series of initiatives to improve the operating performance. The new pricing initiative is assisting in generation of higher cash flows. There has also been implementation of cost containment strategy, by reducing the head count significantly and other costs in order to align towards the future profitable business model. Micro Inks Limited continues to provide financial support to Hostmann-Steinberg Inc., USA, and is committed to assist the latter in making the operations profitable. As a result of the foregoing improvement measures and restructuring, Hostmann-Steinberg Inc., USA, for the year 2010, has made profits of ₹ 29.41 million against losses of ₹ 155.30 million in 2009.

On the basis of the foregoing and the Balance Sheet of the Company having been trimmed in view of the earlier investments being written-off as explained in paragraph 27(a) above, in the opinion of the Management, no further losses are presently expected to occur on the additional investment of ₹ 965.81 million, outstanding of ₹ 346.88 million (net) on account of debtors and on corporate guarantee of ₹ 447.10 million given to banks. Accordingly, no provision presently is required to be made in the accounts, particularly since the investment is strategic in nature and held for long-term.

28. Related Party Disclosures:

Related party disclosures, as required by Accounting Standard-18 'Related Party Disclosures', are given below.

(a) Where Control Exists:

S. No.	Relationship	Related Party
(i)	Subsidiaries	Hostmann-Steinberg Inc., USA (w.e.f. July 20, 2009, step-down subsidiary upto July 19, 2009) Hostmann-Steinberg Australia Pty. Ltd., Australia (w.e.f. December 1, 2010, fellow subsidiary upto November 30, 2010) Hostmann-Steinberg New Zealand Ltd., New Zealand (w.e.f. December 1, 2010, fellow subsidiary upto November 30, 2010) Micro Inks (Singapore) Pte. Ltd., Singapore (placed under Members' voluntary winding up on June 29, 2010) Micro Inks GmbH, Austria (upto November 1, 2009)
(ii)	Step-down Subsidiary	Micro Inks (Hong Kong) Ltd., Hong Kong (placed under Members' voluntary winding up on April 28, 2009, and dissolved on May 11, 2010)
(iii)	Holding Company	MHM Holding GmbH, Germany

(b) Name of related parties and description of relationship, where transactions have taken place during the year:

- (i) Fellow Subsidiaries:
- Michael Huber München GmbH, Germany
 - Hostmann-Steinberg GmbH, Germany
 - Stehlin + Hostag AG, Switzerland
 - Hostmann-Steinberg Australia Pty. Ltd., Australia (upto November 30, 2010)
 - Hostmann-Steinberg Limited, Canada
 - Huber Chile S.A., Chile
 - Huber Italia S.p.A., Italy
 - Huber Inks (Shenzhen) Ltd., China
 - Info-Lab Limited, Ireland
 - Hostmann-Steinberg South Africa (Pty.) Ltd., South Africa
 - PT Huber Inks Indonesia, Indonesia
 - Hostmann-Steinberg Tintás Gráficas Brasil Ltda., Brazil
 - Michael Huber Austria GmbH, Austria
- (ii) Subsidiaries:
- Hostmann-Steinberg Inc., USA
 - Hostmann-Steinberg Australia Pty. Ltd., Australia (w.e.f. December 1, 2010)
- (iii) Holding Company:
- MHM Holding GmbH, Germany
- (iv) Key Management Personnel:
- Mr. Ashwani Bhardwaj (Managing Director)

(c) Transactions with Related Parties:*(₹ in million)*

S. No.	Name of Related Party	Fellow Subsidiaries	Subsidiary / Step-down Subsidiary	Holding Company	Key Management Personnel	Grand Total
(i)	Sales of Goods and Services	6,611.33	1,556.43	—	—	8,167.76 ^A
		(4,853.66)	(1,173.88)	—	—	(6,027.54)
(ii)	Purchase of Goods and Services	23.77	0.39	—	—	24.16 ^B
		(52.53)	(11.97)	—	—	(64.50)
(iii)	Purchase of Fixed Assets	1.77	2.28	—	—	4.05 ^C
		—	—	—	—	—
(iv)	Other Expenditure	20.64	0.02	13.00	—	33.66 ^D
		(24.83)	(3.96)	(95.35)	—	(124.14)
(v)	Reimbursement of Expenditure (Obtained)	9.00	1.23	13.69	—	23.92 ^E
		(2.88)	(0.44)	(7.92)	—	(11.24)
(vi)	Investments Made	—	—	841.27	—	841.27 ^F
		—	(477.71)	—	—	(477.71)
(vii)	Sale of Investments	—	—	—	—	—
		—	—	(1.20)	—	(1.20)
(viii)	Provision for Diminution, other than temporary, in the value of investment	—	0.36	—	—	0.36 ^G
		—	—	—	—	—
(ix)	Guarantees Given	—	—	—	—	—
		—	(130.34)	—	—	(130.34)
(x)	Guarantees Extinguished	—	130.34	—	—	130.34 ^H
		—	—	—	—	—
(xi)	Debts Written – off from Provision	—	—	—	—	—
		—	(34.10)	—	—	(34.10)
(xii)	Remuneration and Perquisites	—	—	—	9.52	9.52 ^I
		—	—	—	(8.52)	(8.52)
(xiii)	Gain/Loss on Exchange Rate fluctuation (Net)[–ve sign denotes loss]	48.75	23.27	3.54	—	75.56 ^J
		(–30.50)	(41.77)	(3.10)	—	(14.37)
(xiv)	Royalty	248.00	—	—	—	248.00 ^K
		(201.01)	—	—	—	(201.01)
(xv)	Proposed Dividend (Equity)	—	—	138.76	—	138.76 ^L
		—	—	(105.21)	—	(105.21)

Figures within brackets relate to previous year.

(A) Includes Sales of Goods and Services to Michael Huber München GmbH, Germany, amounting ₹ 2,460.01 million (Previous year, ₹ 1,788.07 million), Hostmann-Steinberg GmbH, Germany, amounting ₹ 1,730.21 million (Previous year, ₹ 1,284.54 million), Stehlin + Hostag AG, Switzerland, amounting ₹ 1,304.33 million (Previous year, ₹ 1,016.31 million) and Hostmann-Steinberg Inc., USA, amounting ₹ 1,475.64 million (Previous year, ₹ 1,173.88 million).

(B) Includes Purchases of Goods and Services from Michael Huber München GmbH, Germany, amounting ₹ 4.84 million (Previous year, ₹ 0.88 million) and Info-Lab Ltd., Ireland, amounting ₹ 15.70 million (Previous year, ₹ 9.92 million).

(C) Comprises Purchases of Fixed Assets from Stehlin+Hostag AG, Switzerland, amounting ₹ 1.77 million (Previous year, Nil) and Hostmann-Steinberg Inc., USA, amounting ₹ 2.28 million (Previous year, Nil).

- (D) Includes Other Expenditure paid to Hostmann-Steinberg GmbH, Germany, amounting ₹ 19.88 million (Previous year, ₹ 21.22 million) and MHM Holding GmbH, Germany, amounting ₹ 13.00 million (Previous year, ₹ 95.35 million).
- (E) Includes Reimbursement of Expenditure (obtained) from Hostmann-Steinberg Australia Pty. Ltd., Australia, amounting ₹ 5.64 million (Previous year, ₹ 1.35 million) and MHM Holding GmbH, Germany, amounting ₹ 13.69 million (Previous year, ₹ 7.92 million).
- (F) Comprises acquisition of 100% Equity Shares of Hostmann-Steinberg Australia Pty. Ltd., Australia, and Hostmann-Steinberg New Zealand Ltd., New Zealand from MHM Holding GmbH, Germany, amounting ₹ 841.27 million (Previous year, Nil).
- (G) Comprises Provision for diminution, other than temporary, in the value of Investment ₹ 0.36 million (Previous year, Nil) in Micro Inks (Singapore) Pte. Ltd., Singapore.
- (H) Comprises Guarantees extinguished that was given on behalf of Hostmann-Steinberg Inc., USA, amounting ₹ 130.34 million (Previous year, Nil).
- (I) Comprises Remuneration and Perquisites to Mr. Ashwani Bhardwaj amounting ₹ 9.52 million (Previous year, ₹ 8.52 million).
- (J) Includes Gain/(Loss) on exchange rate fluctuation on transactions with:

(₹ in million)

Name of the Related Party	Year ended 31/12/2010	Year ended 31/12/2009
Hostmann-Steinberg Australia Pty. Ltd., Australia	8.91	28.75
Michael Huber München GmbH, Germany	22.28	(24.98)
Hostmann-Steinberg GmbH, Germany	15.95	(18.27)
Stehlin+Hostag AG, Switzerland	7.63	(13.08)
Hostmann-Steinberg Inc., USA	13.88	41.77

- (K) Comprises Royalty paid / payable to Michael Huber München GmbH, Germany, and amounting ₹ 248.00 million (Previous year, ₹ 201.01 million).
- (L) Comprises proposed dividend payable to MHM Holding GmbH, Germany, amounting ₹ 138.76 million (Previous year, ₹ 105.21 million).

(d) Balances Outstanding:

(₹ in million)

S. No.	Description	Fellow Subsidiaries	Subsidiary / Step-down Subsidiary	Holding Company	Grand Total
(i)	Receivables	989.33	738.19	—	1,727.52
		(1,107.31)	(611.43)	—	(1,718.74)
(ii)	Payables	66.45	—	11.57	78.02
		(61.64)	(47.36)	(80.38)	(189.38)
(iii)	Investments	—	1,839.82	—	1,839.82
		—	(998.55)	—	(998.55)
(iv)	Corporate Guarantees Given	—	447.10	—	447.10
		—	(595.84)	—	(595.84)
(v)	Proposed Dividend Payable	—	—	138.76	138.76
		—	—	(105.21)	(105.21)

Figures within brackets relate to as at 31/12/2009.

29. Segment Information

In addition to the significant accounting policies applicable to the business segment as set out in Schedule-16, the accounting policies in relation to the segment accounting are as under:

The Company has considered Business Segment as primary format for segment reporting, namely:

- Inks and Intermediates
- Other Products and Services (Lamination Adhesives, Wire Enamels, Ketonic Resins and Polyamide Resins).

These Business Segments have been identified and reported taking into account the product, nature of manufacturing process, industry profile, differences in the risks and returns, the organisational structure and the internal management reporting system.

Inks and Intermediates and Other Products and Services have different manufacturing process, risks and returns and internal reporting system.

The geographical segment is considered as secondary format for reporting and identified by taking into account the location of customers, size and risks prevailing in the market, internal organisational structure and the internal management reporting system.

(a) Primary Segment: Business Segment*(₹ in million)*

Particulars	Inks and Intermediates	Other Products and Services	Total
Segment Revenue			
External Revenue	16,199.84 (12,820.48)	1,097.11 (944.33)	17,296.95 (13,764.81)
Inter-segment Revenue		113.69 (108.64)	113.69 (108.64)
Total	16,199.84 (12,820.48)	1,210.80 (1,052.97)	17,410.64 (13,873.45)
Less: Inter-segment Revenue		113.69 (108.64)	113.69 (108.64)
Total Revenue	16,199.84 (12,820.48)	1,097.11 (944.33)	17,296.95 (13,764.81)
Segment Results			
Segment Result	1,930.88 (1,489.28)	138.92 (171.32)	2,069.80 (1,660.60)
Less: Interest and Other Finance Charges (Net)			67.68 (160.67)
Other (Unallocated Expense–Unallocated Income)			– 0.56 (0.45)
Profit Before Tax			2,002.68 (1,499.48)
Segment Assets and Liabilities			
Segment Assets	9,915.01 (8,682.39)	436.11 (332.42)	10,351.12 (9,014.81)
Unallocated Assets			2,294.24 (1,219.81)
Total Assets			12,645.36 (10,234.62)
Segment Liabilities	2,691.25 (2,354.16)	151.10 (146.73)	2,842.35 (2,500.89)
Unallocated Liabilities (Exclude Loan Funds and Deferred Tax Liability)			237.43 (197.79)
Total Liabilities			3,079.78 (2,698.68)
Fixed Assets' Addition (within India) (Excluding Capital Work-in-Progress)	465.49 (187.94)	26.15 (8.64)	491.64 (196.58)
Unallocated Capital Expenditure			14.92 (18.30)
Total Addition to Fixed Assets			506.56 (214.88)

(₹ in million)

Particulars	Inks and Intermediates	Other Products and Services	Total
Depreciation / Amortisation	352.17	5.46	357.63
	(438.65)	(9.35)	(448.00)
Unallocated Depreciation / Amortisation			15.38
			(37.67)
Total Depreciation / Amortisation			373.01
			(485.67)
Non-Cash Expenses other than Depreciation / Amortisation	42.90	9.89	52.79
	(6.19)	(1.48)	(7.67)
Unallocated			44.84
			(1.57)
Total Non-Cash Expenses other than Depreciation / Amortisation			97.63
			(9.24)

Figures within brackets relate to previous year.

(b) Secondary Segment: Geographical Segment

(₹ in million)

Particulars	Inks and Intermediates	Other Products and Services	Total
Segment Revenue			
India	6,961.89	938.35	7,900.24
	(5,969.83)	(810.62)	(6,780.45)
Outside India (including Export Benefit)	9,237.95	158.76	9,396.71
	(6,850.65)	(133.71)	(6,984.36)
Total Revenue	16,199.84	1,097.11	17,296.95
	(12,820.48)	(944.33)	(13,764.81)
Assets			
Segment Assets			
India	8,111.06	427.17	8,538.23
	(6,842.85)	(329.03)	(7,171.88)
Outside India	1,803.95	8.94	1,812.89
	(1,839.54)	(3.39)	(1,842.93)
Total	9,915.01	436.11	10,351.12
	(8,682.39)	(332.42)	(9,014.81)
Unallocated Assets			
India			481.78
			(248.62)
Outside India			1,812.46
			(971.19)
Total Assets			12,645.36
			(10,234.62)

Figures within brackets relate to previous year.

30. The figures of the previous year have been regrouped / rearranged wherever necessary.

For and on behalf of the Board**Anjum Bilakhia**
Chairman**Ashwani Bhardwaj**
Managing Director**Hitesh Parikh**
Vice President &
Company Secretary**Sundaresh Bhat**
Vice President &
Chief Financial OfficerPlace : Mumbai
Date : February 19, 2011

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE FOR THE YEAR ENDED DECEMBER 31, 2010

I. Registration Details

Registration No. : 1 6 5 9 8 State Code : 0 4
Balance Sheet Date : 3 1 / 1 2 / 2 0 1 0

II. Capital raised during the year (Amount in ₹ Thousand)

Public Issue : N I L Preferential Allotment to Promoters : N I L
Bonus Issue : N I L GDR Issue : N I L

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

Total Liabilities : 9 5 6 5 5 7 3 Total Assets : 9 5 6 5 5 7 3

Sources of Funds

Paid-up Capital : 2 4 8 7 1 9 Reserves & Surplus : 6 5 7 2 7 0 6
Secured Loans : 2 0 3 7 6 1 1 Unsecured Loans : 3 5 7 6 8 0
Deferred Tax Liability : 3 4 8 8 5 7

Application of Funds

Net Fixed Assets : 3 2 9 4 4 6 1 Investments : 1 8 1 2 1 0 2
Net Current Assets : 4 4 5 9 0 1 0 Misc. Expenditure : N I L

IV. Performance of the Company (Amount in ₹ Thousand)

Turnover : 1 8 0 8 9 1 2 4 Total Expenditure : 1 6 0 8 6 4 5 1
Profit Before Tax : 2 0 0 2 6 7 3 Profit After Tax : 1 4 1 8 3 9 5
Earnings Per Share in ₹ : 5 7 . 0 3 Dividend Rate % : 6 0

V. Generic Names of Three Principal Products / Services of the Company (As per Monetary Terms)

Item Code No. (ITC Code) : 3 2 1 5
Product Description : P R I N T I N G I N K
Item Code No. (ITC Code) : 3 9 0 9
Product Description : R E S I N S A N D V A R N I S H E S
Item Code No. (ITC Code) : 3 2 0 4 . 1 7
Product Description : P I G M E N T S / F L U S H C O L O U R S

For and on behalf of the Board

Anjum Bilakhia
Chairman

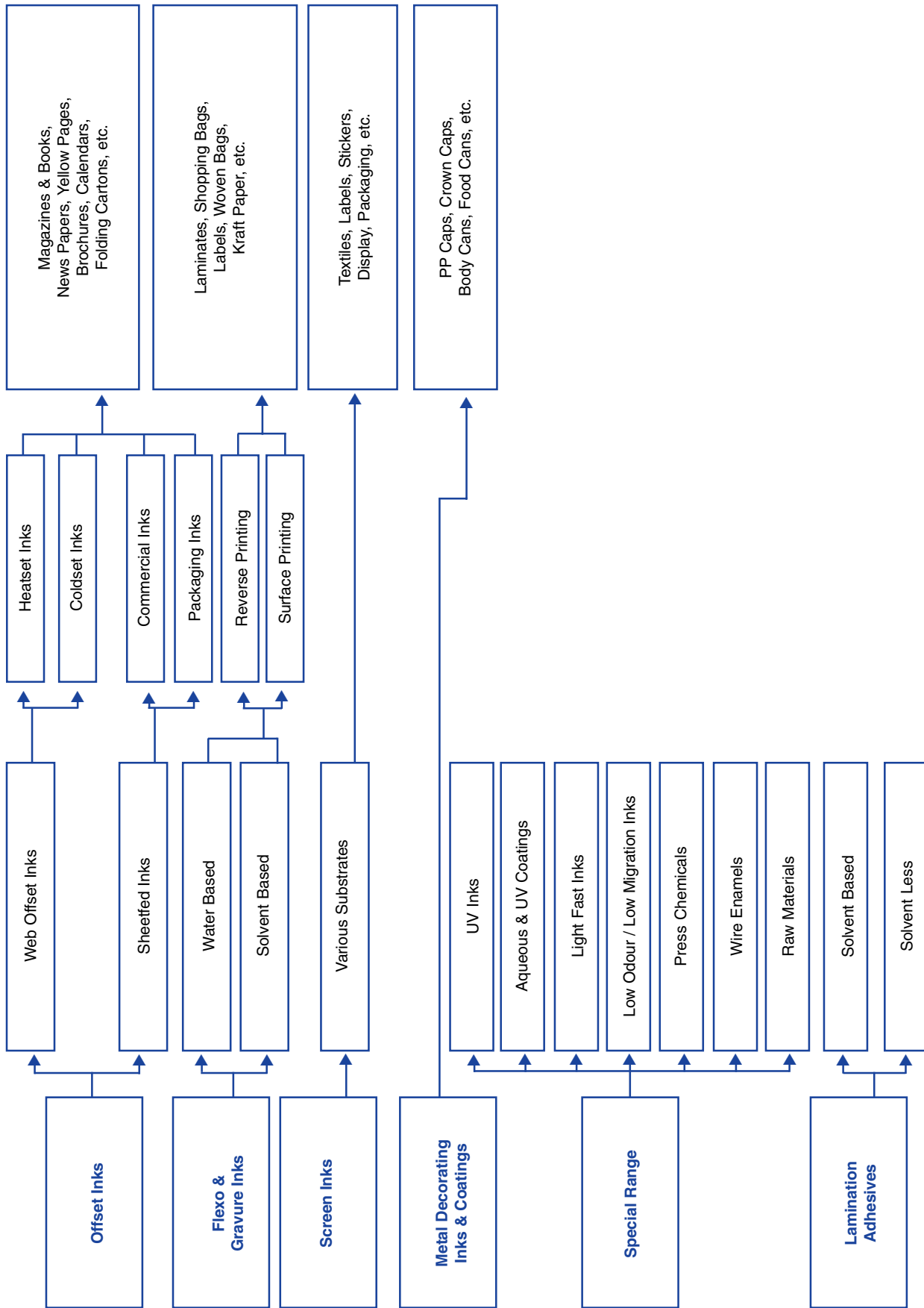
Ashwani Bhardwaj
Managing Director

Hitesh Parikh
Vice President &
Company Secretary

Sundaresh Bhat
Vice President &
Chief Financial Officer

Place : Mumbai
Date : February 19, 2011

Product Portfolio



FINANCIAL HIGHLIGHTS

(₹ in million)

Particulars	2010	2009	2008	2007	Nine-month Period ended December 2006	2005-06	2004-05	2003-04	2002-03	2001-02
Sales & Other Operating Income (Gross)	18044.83	14311.55	14227.51	12292.65	7653.20	9866.72	9011.30	6732.12	6363.04	5631.73
Sales & Other Operating Income (Net of Excise)	17296.95	13764.81	@ 13382.78	@ 11488.01	@ 7104.28	@ 9181.02	@ 8415.33	@ 6224.75	@ 5921.60	@ 5217.84
Export (FOB)	9014.51	6761.66	7044.84	6141.97	3493.10	4512.66	4227.15	2614.71	2700.94	2221.43
PBDIT	2443.37	2145.82	2191.92	1338.61	8.71	1185.22	1668.47	1242.97	1134.46	1152.47
Interest and Other Finance Charges (Net)	67.68	160.67	761.68	204.31	230.06	216.67	166.40	174.99	416.04	422.11
Profit / (Loss) Before Tax	2002.68	1499.48	1110.70	824.04	(437.62)	722.24	1296.01	882.87	551.61	601.35
Tax	584.28	373.99	207.85	142.87	(57.19)	113.21	220.31	150.50	111.20	118.26
Profit / (Loss) After Tax	1418.40	1125.49	902.85	681.17	(380.43)	609.03	1075.70	732.37	440.41	483.09
Dividend (Equity)	149.23	149.23	149.23	149.23	111.92	149.23	149.23	131.15	54.65	54.65
Dividend %	60.00	60.00	60.00	60.00	45.00	60.00	60.00	60.00	40.00	40.00
Retained Profit/(Loss)	1244.96	950.90	728.26	506.58	(380.43)	424.95	842.85	509.48	301.77	377.47
Earnings Per Share (₹)	57.03	45.25	36.30	27.39	(15.30)	23.93	44.00	37.62	##25.64	31.54
Book Value (Equity) (₹)	274.26	224.21	185.98	310.34	289.01	310.62	293.53	214.95	164.42	142.80
Sources of Funds:										
Share Capital	248.72	248.72	248.72	248.72	248.72	248.72	683.72	653.58	571.62	586.62
Reserves & Surplus	6572.71	5327.75	4376.85	7470.02	6939.44	7476.90	7366.95	4794.81	**3924.66	**3264.30
Shareholders' Funds	6821.43	5576.47	4625.57	7718.74	7188.16	7725.62	8050.67	5448.39	4496.28	3850.92
Loan Funds	2395.29	1594.89	3427.90	^ 3117.84	1832.47	1816.65	1762.24	3261.73	3722.48	3803.75
Total	9216.72	7171.36	8053.47	10836.58	9020.63	9542.27	9812.91	8710.12	8218.76	7654.67
Uses of Funds:										
Net Fixed Assets	3294.46	3347.36	3541.80	3571.87	3421.42	^3399.71	3110.06	2798.41	2773.49	2741.46
Investment	1812.10	971.19	493.50	3889.34	3710.34	3691.56	3655.93	3635.46	2849.49	1754.60
Net Current Assets	! 4110.16	! 2852.81	! 4018.17	^! 3762.57	! 1888.87	! 2451.00	! 3046.92	! 2276.25	! 2595.78	! 3158.61
Total	9216.72	7171.36	8053.47	10836.58	9020.63	9542.27	9812.91	8710.12	8218.76	7654.67

@ Includes job work income

** Includes advance against warrant / money received against partly paid shares pending appropriation / share application money pending allotment of shares.

! Includes Deferred Tax Liability (Net).

^ Regrouped

EPS of year 2002-03 as originally reported at ₹ 26.69 has been restated to ₹ 25.64 per share due to right issue of shares during the year 2003-04.

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956,
RELATING TO SUBSIDIARY COMPANIES FOR THE YEAR ENDED DECEMBER 31, 2010**

Name of the Subsidiary Company	% of Holding in Subsidiary Company	Financial Year of the Subsidiary Company	No. of Shares Held by Micro Inks Limited	Net Aggregate of Profits / (Losses) thereof for Financial Year as concerning the Members of Micro Inks Limited	
				Dealt within the Accounts for the Year ended December 31, 2010 (₹ in million)	Not Dealt with the Accounts for the Year ended December 31, 2010 (₹ in million)
Hostmann-Steinberg Inc., U.S.A.	100	December 2010	2,280 (Common Stock)	Nil	29.41
	100		1,239 (Preferred Stock)		
Micro Inks (Singapore) Pte. Ltd., Singapore #	100	December 2010	1,188,397	Nil	(0.06)
Hostmann-Steinberg Australia Pty. Ltd., Australia	100	December 2010	3,300,000*	Nil	3.88
Hostmann-Steinberg New Zealand Limited, New Zealand	100	December 2010	6,800,000*	Nil	1.07

Notes:

- # Placed under Members' voluntary winding-up on June 29, 2010. The Financial Statements have been drawn-up till June 28, 2010.
- * On December 1, 2010, the Company acquired 100% Equity Shares of Hostmann-Steinberg Australia Pty. Ltd., Australia, and Hostmann-Steinberg New Zealand Limited, New Zealand, from MHM Holding GmbH, Germany, the ultimate parent company.

For and on behalf of the Board

Anjum Bilakhia
Chairman

Ashwani Bhardwaj
Managing Director

Hitesh Parikh
Vice President &
Company Secretary

Sundaresh Bhat
Vice President &
Chief Financial Officer

Place : Mumbai
Date : February 19, 2011

STATEMENT REGARDING SUBSIDIARY COMPANIES AS OF DECEMBER 31, 2010*(₹ in million)*

	Hostmann- Steinberg Inc., USA	Micro Inks (Singapore) Pte. Ltd., Singapore	Hostmann- Steinberg Australia Pty. Ltd., Australia[#]	Hostmann- Steinberg New Zealand Limited, New Zealand[#]
Issued and Subscribed Share Capital	4,274.12	41.42	150.09	236.87
Reserves	(3,425.14)	(36.41)	179.36	37.18
Total Assets	1,228.97	5.02	421.87	274.04
Total Liabilities	1,228.97	5.02	421.87	274.04
Investment (other than Investments in Subsidiaries)	—	—	—	—
Turnover	3,660.64	—	109.12	37.08
Profit / (Loss) before Taxation	31.77	(0.06)	5.73	1.51
Provision for Taxation	2.95	—	1.79	0.43
Profit / (Loss) after Taxation	28.82	(0.06)	3.94	1.08
Proposed Dividend	—	—	—	—

Note:

The aforesaid statement is prepared pursuant to the Central Government's approval U/s 212(8) of the Companies Act, 1956, accordingly the company undertakes that the annual accounts of the subsidiary companies & related detailed information will be made available to the investors seeking such information at any point of time. The exchange rates used are as at the end of the year i.e. December 31, 2010, and therefore the figures will vary in 212 statement to that extent, where foreign currency figures are converted as per the Indian Accounting Standard-11.

[#] On December 1, 2010, the 100% shareholding of MHM Holding GmbH in Hostmann-Steinberg Australia Pty. Ltd. and Hostmann-Steinberg New Zealand Limited was acquired by Micro Inks Limited, India. Accordingly, in the above statement the Balance Sheet figures are as at December 31, 2010 and the Profit and Loss Account figures are for the month ended December 31, 2010.

AUDITORS' REPORT

To,

The Board of Directors of Micro Inks Limited on the Consolidated Financial Statements for the year ended December 31, 2010

1. We have audited the attached Consolidated Balance Sheet of **MICRO INKS LIMITED**, the parent company, and its subsidiaries, as listed in Note 1(a) on Schedule - 17 [collectively referred to as 'the Group'], as at December 31, 2010, also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. These consolidated financial statements are the responsibility of the parent company's management and have been prepared by the management on the basis of separate financial statements and other information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the Auditing Standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. (a) We did not audit the financial statements of subsidiaries whose financial statements reflect total assets of ₹ 1,091.64 million as at December 31, 2010, total revenue of ₹ 2,289.49 million and net cash inflows amounting to ₹ 15.55 million, for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors, whose reports have been furnished to us, and our opinion, in so far relates to the amounts included in respect of these subsidiaries, is based solely on the reports of the other auditors.
 - (b) The consolidated financial statements also include the unaudited financial statements of one of the subsidiaries which reflect total assets (net) of ₹ 5.02 million as at December 31, 2010 and net cash outflows amounting to ₹ 0.95 million for the year then ended. These financial statements provided to us by the management have not been audited but have been certified by the management of that subsidiary (see Note No. 1(b) of Schedule - 17).
4. We report that the consolidated financial statements have been prepared by the parent company's management in accordance with the requirements of Accounting Standard 21 'Consolidated Financial Statements'.
5. Based on our audit of the parent company and on consideration of reports of the other auditors on the separate financial statements of subsidiaries [other than the subsidiary referred in paragraph 3(b) above whose financial statements have not been audited] and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements, subject to our comment in paragraph 3(b) above, give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at December 31, 2010;
 - ii. in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
 - iii. in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 117366W)

Rajesh K. Hiranandani
Partner
Membership No. 36920

Place: Mumbai
Date : February 19, 2011

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2010

		As at 31/12/2010	(₹ in million) As at 31/12/2009
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	248.72	248.72
Reserves and Surplus	2	6,354.52	5,215.21
		6,603.24	5,463.93
LOANS FUNDS			
Secured Loans	3	2,485.39	1,543.94
Unsecured Loans	4	606.57	693.20
		3,091.96	2,237.14
Deferred Tax Liability (Net) (Refer Note No. 12(a) of Schedule - 17)		348.86	364.58
TOTAL		10,044.06	8,065.65
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	8,436.07	7,622.56
Less: Depreciation / Amortisation		4,306.81	3,789.53
Net Block		4,129.26	3,833.03
Capital Work-in-Progress (Including Capital Advances)		89.10	245.33
		4,218.36	4,078.36
INVESTMENTS			
Deferred Tax Asset (Net) (Refer Note No. 12(b) of Schedule - 17)	6	0.00	0.00
		9.32	—
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	4,310.30	2,753.18
Sundry Debtors	8	3,912.64	3,450.93
Cash and Bank Balances	9	685.86	183.45
Loans and Advances	10	605.54	554.58
		9,514.34	6,942.14
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	11	3,366.99	2,743.91
Provisions		330.97	210.94
		3,697.96	2,954.85
NET CURRENT ASSETS		5,816.38	3,987.29
TOTAL		10,044.06	8,065.65
SIGNIFICANT ACCOUNTING POLICIES	16		
NOTES TO THE ACCOUNTS	17		

As per our report of even date
For Deloitte Haskins & Sells
Chartered Accountants

Rajesh K. Hiranandani
Partner

Place : Mumbai
Date : February 19, 2011

For and on behalf of the Board

Anjum Bilakhia
Chairman

Hitesh Parikh
Vice President &
Company Secretary

Ashwani Bhardwaj
Managing Director

Sundaresh Bhat
Vice President &
Chief Financial Officer

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

		(₹ in million)	
	Schedule	Year ended 31/12/2010	Year ended 31/12/2009
INCOME			
Sales and Other Operating Income (Gross)	12	20,329.85	16,684.53
Less: Excise Duty		747.88	546.74
Sales and Other Operating Income (Net)		19,581.97	16,137.79
Other Income	13	48.76	42.55
TOTAL		19,630.73	16,180.34
EXPENDITURE			
Materials Consumed		13,751.91	10,354.60
Manufacturing and Other Expenses	14	4,082.56	3,760.24
Increase in Semi-Finished Goods and Finished Goods Stock	15	(780.14)	(44.78)
Interest and Other Finance Charges (Net) (Refer Note No. 7 of Schedule - 17)		77.07	184.56
Depreciation / Amortisation (Refer Note No. 14 of Schedule - 17)	5	579.08	584.09
TOTAL		17,710.48	14,838.71
PROFIT BEFORE TAX		1,920.25	1,341.63
Provision for Taxation			
– for Current Tax (Refer Note No. 10 of Schedule - 17)		602.00	381.69
– for Deferred Tax		(12.52)	(8.82)
– for Fringe Benefit Tax		—	1.21
		589.48	374.08
PROFIT AFTER TAX		1,330.77	967.55
Debit Balance Brought Forward		(1,866.25)	(2,159.21)
Cumulative Debit Balance		(535.48)	(1,191.66)
APPROPRIATIONS (made by Micro Inks Limited, the Parent Company)			
Proposed Dividend		149.23	149.23
Provision for Dividend Distribution Tax on Proposed Dividend		24.21	25.36
Transfer to General Reserve		500.00	500.00
		673.44	674.59
Debit Balance Carried to Reserves and Surplus (Schedule - 2)		(1,208.92)	(1,866.25)
Basic and Diluted Earnings Per Share of ₹ 10/- each (in Rupees) (Refer Note No. 13 of Schedule - 17)		53.50	38.90
SIGNIFICANT ACCOUNTING POLICIES	16		
NOTES TO THE ACCOUNTS	17		

As per our report of even date
For Deloitte Haskins & Sells
Chartered Accountants

Rajesh K. Hiranandani
Partner

Place : Mumbai
Date : February 19, 2011

For and on behalf of the Board

Anjum Bilakhia
Chairman

Hitesh Parikh
Vice President &
Company Secretary

Ashwani Bhardwaj
Managing Director

Sundaresh Bhat
Vice President &
Chief Financial Officer

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010

	Year ended 31/12/2010	Year ended 31/12/2009
<i>(₹ in million)</i>		
(A) CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Tax	1,920.25	1,341.63
Adjustment for:		
Depreciation / Amortisation	579.08	584.09
Loss on Sale / Retirement of Fixed Assets (Net)	4.78	3.23
Profit on Sale of Trade Investment in Subsidiary	—	(0.29)
Interest and Other Finance Charges (Net)	77.07	184.56
Write-back / Write-off for Obsolescence of Inventory	(16.66)	17.21
Unrealised Exchange Gain (Net)	(33.28)	(153.72)
Bad Debts including Provision for Doubtful Debts (Net)	37.74	48.75
Operating Profit before Working Capital Changes	2,568.98	2,025.46
Adjustment for:		
Inventories	(1,102.65)	399.76
Trade and Other Receivables	(93.21)	76.22
Trade and Other Payables	144.65	562.00
Currency Fluctuation Reserve on Consolidation	7.31	12.54
	(1,043.90)	1,050.52
Cash Generated from Operations	1,525.08	3,075.98
Direct Taxes Paid (Net)	(513.64)	(333.44)
Net Cash from Operating Activities	(A) 1,011.44	2,742.54
(B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(438.24)	(225.58)
Sale of Fixed Assets	27.36	7.61
Investment in Subsidiary	(841.27)	—
Sale of Trade Investment in Subsidiary	—	1.20
Sale of Non-Trade Investment	—	0.02
Currency Fluctuation Reserve on Consolidation	23.17	34.99
Net Cash used in Investing Activities	(B) (1,228.98)	(181.76)
(C) CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long-term Borrowings	904.37	607.91
Repayment of Long-term Borrowings	(511.36)	(512.16)
Proceeds from / (Repayment of) Short-term Borrowings (Net)	409.05	(2,052.34)
Payment of Interest	(108.69)	(389.54)
Payment of Dividend (including Dividend Distribution Tax)	(173.92)	(174.31)
Currency Fluctuation Reserve on Consolidation	(25.33)	(41.98)
Net Cash from / used in Financing Activities	(C) 494.12	(2,562.42)
Net Increase / (Decrease) in Cash and Cash Equivalents	(A+B+C) 276.58	(1.64)
Opening Cash and Cash Equivalents (See Schedule - 9)	183.45	186.73
Cash and Cash Equivalents acquired / given up on Acquisition / Disposal of Subsidiaries	225.83	(1.64)
Closing Cash and Cash Equivalents (See Schedule - 9)	685.86	183.45

Note: The figures of the previous year have been regrouped / rearranged wherever necessary.

As per our report of even date
For Deloitte Haskins & Sells
Chartered Accountants

Rajesh K. Hiranandani
Partner

Place : Mumbai
Date : February 19, 2011

For and on behalf of the Board

Anjum Bilakhia
Chairman

Hitesh Parikh
Vice President &
Company Secretary

Ashwani Bhardwaj
Managing Director

Sundaresh Bhat
Vice President &
Chief Financial Officer

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

	(₹ in million)	
	As at 31/12/2010	As at 31/12/2009
SHARE CAPITAL (SCHEDULE – 1)		
Authorised		
30,000,000 (As at 31/12/2009, 30,000,000) Equity Shares of ₹ 10/- each	300.00	300.00
5,500,000 (As at 31/12/2009, 5,500,000) Preference Shares of ₹ 100/- each	550.00	550.00
	850.00	850.00
Issued, Subscribed and Paid-up		
24,871,941 (As at 31/12/2009, 24,871,941) Equity Shares, of ₹ 10/- each, fully paid-up (Of the above Equity Shares, 6,831,000 (As at 31/12/2009, 6,831,000) Equity Shares are allotted as fully paid-up Bonus Shares by way of capitalisation of securities premium account)	248.72	248.72
(Of the above Equity Shares, 23,126,047 (As at 31/12/2009, 17,534,718) Equity Shares are held by MHM Holding GmbH, Germany, the Holding Company)	248.72	248.72
	248.72	248.72
RESERVES AND SURPLUS (SCHEDULE – 2)		
Capital Reserve		
State Cash Subsidy	1.62	1.62
Capital Redemption Reserve	450.00	450.00
Securities Premium Account	4,177.43	4,177.43
Currency Fluctuation Reserve on Consolidation	(70.57)	(52.55)
General Reserve	3,004.96	2,504.96
As per last Balance Sheet	2,504.96	2,004.96
Add: Transferred from Profit and Loss Account	500.00	500.00
	3,004.96	2,504.96
Debit Balance in Profit and Loss Account	(1,208.92)	(1,866.25)
	6,354.52	5,215.21
SECURED LOANS (SCHEDULE – 3)		
(Refer Note No. 4 of Schedule - 17)		
From Banks		
Working Capital Loans	506.69	65.16
Foreign Currency Term Loans	1,978.70	1,478.78
	2,485.39	1,543.94
UNSECURED LOANS (SCHEDULE – 4)		
Short-Term Loans and Advances from Banks		
Foreign Currency Loans	357.68	—
Commercial Paper	—	400.00
Other Loans and Advances from Banks		
Foreign Currency Term Loans	156.47	293.20
Other Loans and Advances from other than Banks		
Foreign Currency Loan	92.42	—
	606.57	693.20

FIXED ASSETS (SCHEDULE – 5)
(Refer Note No. 6 of Schedule - 17)

(₹ in million)

PARTICULARS	GROSS BLOCK						DEPRECIATION / AMORTISATION						NET BLOCK	
	As at 01/01/2010	Additions	Deductions	Adjustment*	Additions on acquisition of Subsidiaries	As at 31/12/2010	Upto 31/12/2009	For the Year #	Deductions	Adjustment*	Additions on acquisition of Subsidiaries	Upto 31/12/2010	As at 31/12/2010	As at 31/12/2009
Tangible Assets:														
— Freehold Land	201.52	—	0.67	(2.89)	—	197.96	—	—	—	—	—	—	197.96	201.52
— Leasehold Land	36.38	—	—	—	—	36.38	4.18	0.42	—	—	—	4.60	31.78	32.20
— Leasehold Improvements	—	—	—	0.29	9.16	9.45	—	0.12	—	0.21	6.56	6.89	2.56	—
— Buildings	1,798.00	177.88	20.78	(19.28)	—	1,935.82	436.90	55.82	10.07	(5.50)	—	477.15	1,458.67	1,361.10
— Plant and Machinery	4,432.36	303.44	55.64	(38.91)	94.76	4,736.01	2,423.48	324.00	42.07	(31.57)	37.42	2,711.26	2,024.75	2,008.88
— Laboratory Equipment	249.01	7.31	17.38	(4.91)	—	234.03	172.56	21.27	16.98	(4.24)	—	172.61	61.42	76.45
— Wind Mills	19.02	—	—	—	—	19.02	19.02	—	—	—	—	19.02	—	—
— Computers	153.26	3.64	15.07	(1.13)	6.81	147.51	143.24	6.04	15.04	(1.18)	1.75	134.81	12.70	10.02
— Furniture and Fittings	173.90	2.43	—	(2.80)	16.71	190.24	133.89	12.80	—	(2.45)	12.16	156.40	33.84	40.01
— Vehicles	159.27	24.56	20.97	(2.13)	0.24	160.97	104.18	23.49	14.21	(2.03)	0.14	111.57	49.40	55.09
Intangible Assets:														
— Software	71.31	1.60	—	(1.77)	—	71.14	65.13	3.24	—	(1.77)	—	66.60	4.54	6.18
— Technical Know-how	92.53	—	—	—	—	92.53	50.95	18.51	—	—	—	69.46	23.07	41.58
— Contractual Rights	—	—	—	1.11	35.27	36.38	—	—	—	1.11	35.27	36.38	—	—
— Goodwill on Acquisition of Subsidiaries	236.00	340.11	—	(7.48)	—	568.63	236.00	113.37	—	(9.31)	—	340.06	228.57	—
Total (A)	7,622.56	860.97	130.51	(79.90)	162.95	8,436.07	3,789.53	579.08	98.37	(56.73)	93.30	4,306.81	4,129.26	3,833.03
Previous year	7,513.62	247.66	36.94	(101.78)	—	7,622.56	3,298.34	584.09	26.11	(66.79)	—	3,789.53	3,833.03	—
Capital Work-in-Progress Advances for Capital Expenditure														
Total (B)														
Total (A+B)														

* Adjustment on account of foreign exchange translation differences.

Refer Note Nos. 14 and 15 of Schedule - 17.

(₹ in million)

	As at 31/12/2010	As at 31/12/2009
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INVESTMENTS (SCHEDULE – 6)

LONG-TERM INVESTMENTS

(At Cost)

Other Investments of ₹ 2,600 (As at 31/12/2009, ₹ 2,600)
100 (As at 31/12/2009, 100) Equity Shares of ₹ 25 each
fully paid-up of The Shamrao Vithal Co-operative Bank Ltd.

	0.00	0.00
	0.00	0.00

INVENTORIES (SCHEDULE – 7)

At lower of Cost (Less: Write-off for Obsolescence) and Net Realisable Value

Consumable Stores

	72.35	68.96
--	-------	-------

Stock-in-Trade

Raw Materials and Packing Materials

	1,995.22	1,221.63
--	----------	----------

Semi-Finished Goods

	537.28	430.48
--	--------	--------

Finished Goods:

— Manufactured

	1,106.18	888.05
--	----------	--------

— Traded

	599.27	144.06
--	--------	--------

	1,705.45	1,032.11
--	----------	----------

	4,310.30	2,753.18
--	----------	----------

SUNDRY DEBTORS (SCHEDULE – 8)

Debts Outstanding

Over Six Months

	157.20	152.12
--	--------	--------

Others

	3,915.76	3,444.27
--	----------	----------

Total Debts*

	4,072.96	3,596.39
--	----------	----------

Less: Provision for Doubtful Debts

	160.32	145.46
--	--------	--------

	3,912.64	3,450.93
--	----------	----------

* of the above Debts

(a) Fully Secured, Considered Good

	133.62	107.59
--	--------	--------

(b) Unsecured, Considered Good

	3,779.02	3,343.34
--	----------	----------

(c) Unsecured, Considered Doubtful

	160.32	145.46
--	--------	--------

Total Debts

	4,072.96	3,596.39
--	----------	----------

CASH AND BANK BALANCES (SCHEDULE – 9)

Cash and Stamps on Hand

	0.81	1.06
--	------	------

Balances with Scheduled Banks

— In Current Accounts

	360.28	100.42
--	--------	--------

— In Dividend Accounts

	3.10	3.01
--	------	------

— In Fixed Deposit Accounts / Margin Accounts (including interest accrued thereon)

	2.55	0.27
--	------	------

	365.93	103.70
--	--------	--------

Balances with Non-Scheduled Banks

	319.12	78.69
--	--------	-------

	685.86	183.45
--	--------	--------

(₹ in million)

	As at 31/12/2010	As at 31/12/2009
--	---------------------	---------------------

LOANS AND ADVANCES (SCHEDULE – 10)

(Unsecured - Considered Good)

Advance Payment of Taxes (Net of Provisions)	—	43.79
Advances Recoverable in Cash or in Kind or for value to be received	467.32	369.55
Bills of Exchange	20.75	28.23
Balances with Excise and Customs	55.75	70.10
Deposits	61.72	42.91
	605.54	554.58

CURRENT LIABILITIES AND PROVISIONS (SCHEDULE – 11)

CURRENT LIABILITIES

Acceptances	239.79	164.74
Sundry Creditors	2,846.36	2,369.61
Advances from Customers	188.13	147.16
Investor Education and Protection Fund shall be credited by Unpaid Dividend #	3.10	3.01
Other Liabilities	78.16	47.43
Interest Accrued but not Due on Loans	11.45	11.96
	3,366.99	2,743.91

PROVISIONS

Provision for Income Tax (Net of Advance Payment of Taxes)	97.83	—
Proposed Dividend	149.23	149.23
Provision for Dividend Distribution Tax	24.79	25.36
Provision for Compensated Absences	50.10	36.35
Provision for Gratuity (Refer Note No. 9(a) of Schedule - 17)	9.02	—
	330.97	210.94

This figure reflects the position of unclaimed dividend as at December 31, 2010. The actual amount to be transferred to the Investor Education and Protection Fund in this respect shall be determined on the due dates.

SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

	(₹ in million)	
	Year ended 31/12/2010	Year ended 31/12/2009
SALES AND OTHER OPERATING INCOME (SCHEDULE – 12)		
Sales (Domestic)	8,648.12	7,327.18
Sales (Export)	11,579.69	9,280.45
Other Operating Income	102.04	76.90
	<u>20,329.85</u>	<u>16,684.53</u>
OTHER INCOME (SCHEDULE –13)		
Sale of Scrap Material	39.40	36.93
Profit on Sale of Trade Investment in Subsidiary	—	0.29
Miscellaneous Income	9.36	5.33
	<u>48.76</u>	<u>42.55</u>
MANUFACTURING AND OTHER EXPENSES (SCHEDULE – 14)		
Salaries, Wages and Bonus	1,005.38	886.48
Staff Welfare Expenses	90.13	79.97
Contribution to Provident Fund and Other Funds (Refer Note No. 9 of Schedule - 17)	59.85	39.01
	<u>1,155.36</u>	<u>1,005.46</u>
Power and Fuel	682.53	594.30
Consumable Stores	94.95	95.59
Insurance	42.71	43.07
Telephone	20.97	21.80
Travelling and Conveyance	65.42	58.24
Office and Godown Rent	46.60	46.98
Rates and Taxes	16.21	38.65
Sales Commission	40.10	35.60
Freight Outward	772.54	645.97
Discount and Deductions	242.53	202.68
Repairs and Maintenance — Buildings	28.14	31.70
— Machinery	107.47	98.78
— Electricals	16.97	14.53
	<u>152.58</u>	<u>145.01</u>
Loss on Sale / Retirement of Fixed Assets (Net)	4.78	3.23
Royalty	296.41	277.50
Miscellaneous Expenses (Refer Note No. 8 of Schedule - 17)	448.87	546.16
	<u>4,082.56</u>	<u>3,760.24</u>
INCREASE IN SEMI-FINISHED GOODS AND FINISHED GOODS STOCK (SCHEDULE – 15)		
Opening Stock — Semi-Finished Goods	430.48	490.50
— Finished Goods (including Goods Traded)	1,032.11	927.31
TOTAL (A)	<u>1,462.59</u>	<u>1,417.81</u>
Closing Stock — Semi-Finished Goods	537.28	430.48
— Finished Goods (including Goods Traded)	1,705.45	1,032.11
TOTAL (B)	<u>2,242.73</u>	<u>1,462.59</u>
(A) – (B)	<u>(780.14)</u>	<u>(44.78)</u>

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

SIGNIFICANT ACCOUNTING POLICIES (SCHEDULE – 16)

The Consolidated Financial Statements comprise the financial statements of Micro Inks Limited ('the Parent Company') and its wholly owned and controlled subsidiaries as listed in Note 1(a) on Schedule - 17 (collectively referred to as 'the Group').

A. BASIS OF CONSOLIDATION:

The financial statements of the Parent Company and its subsidiary companies have been combined on a line-by-line basis by adding together the book value of like items of assets, liabilities, income and expenditure after fully eliminating intragroup balances, intragroup transactions and unrealised profits or losses as per Indian Accounting Standard - 21 "Consolidated Financial Statements".

These subsidiaries have been classified as 'Non Integral Foreign Operations'. Revenue items are consolidated at the average rate prevailing during the year and Assets and Liabilities are converted at the rates prevailing at the end of the year. All resulting exchange differences have been accumulated in a 'Foreign Currency Translation Reserve'.

The financial statements of Hostmann-Steinberg Inc., Hostmann-Steinberg Australia Pty. Ltd., and Hostmann-Steinberg New Zealand Ltd. for the year / period ended December 31, 2010, have been drawn up and audited up to the date at which the financial statements of the Parent Company have been prepared. The financial statements of Micro Inks (Singapore) Pte. Ltd. have not been audited as the Company is placed under members' voluntary winding-up on June 29, 2010.

The excess of the Parent Company's portion of equity of the subsidiaries as at the date of its investment over the cost of its investment is treated as Capital Reserve on consolidation. The excess of cost of investment over the Parent Company's portion of equity as at the date of investment is treated as Goodwill on consolidation.

Significant Accounting Policies, as disclosed herein, and Notes to these Consolidated Financial Statements as disclosed in Schedule - 17, are intended to serve as a means of informative disclosure and a guide to better understanding the consolidated position of the Group. Recognising this purpose, the Group has disclosed only such policies and notes from the individual Financial Statements, which fairly present the needed disclosures. Lack of homogeneity and other similar consideration made it desirable to exclude some of them, which in the opinion of the Management, could be better viewed when referred to in the individual financial statements.

B. CONSOLIDATED ACCOUNTING POLICIES:

1. Accounting Assumption

The Consolidated Financial Statements of the Group have been prepared under historical cost convention on an accrual basis and in accordance with the generally accepted accounting principles in India. In case, each company in the Group does not follow a uniform accounting policy, the same as disclosed in the audited accounts of the said company, has been reproduced, if material.

2. Use of Estimates

The preparation and presentation of financial statements in conformity with the generally accepted accounting principles requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the year. Examples of such estimates include provisions for doubtful debts, employee retirement benefit plans, provision for income taxes and the useful lives of fixed assets. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. The actual results could differ from these estimates and the differences between the actual result and estimates are recognised in the period in which the results are known / materialised.

3. Fixed Assets

Fixed assets are stated at historical cost of acquisition or construction less accumulated depreciation / amortisation. All costs relating to the acquisition of or construction of the asset to bring it to the site and in working condition for its intended use are capitalised. The cost excludes the duty benefits admissible against installation of the specific assets.

Where the construction or development of any such asset requiring substantial period of time to set up for its intended use, is funded by borrowings, the corresponding borrowing costs are capitalised upto the date when the asset is ready for its intended use in accordance with the Accounting Standard - 16 "Borrowing Costs".

Advances paid towards acquisition or construction of fixed assets and the cost of assets not put to use as at reporting date are disclosed under capital work-in-progress.

Hostmann-Steinberg Inc., USA

Property, plant and equipment are recorded at cost. Leasehold improvements are amortised over the estimated useful lives, or the term of the related leases, whichever is shorter, using the Straight Line Method. Additions, major renewals and replacements that increase the property's useful life are capitalised. Expenditure for maintenance and repairs are charged to operations as incurred. The cost of property, plant and equipment

retired or sold and the related accumulated depreciation or amortisation are excluded from the accounts, and any related gain or loss is included in the statement of operations for the year.

4. Intangible Assets

Intangible assets comprising of costs incurred to acquire computer software licenses and technical know-how are stated at cost less accumulated amortisation.

Goodwill is initially recorded at the amount by which the purchase price for the business from the selling entity exceeds the fair value attributed to its net assets at date of acquisition. Contractual rights on acquisition of the business are included in intangible assets.

Where the development of any such asset requiring substantial period of time for its intended use, is funded by borrowings, the corresponding borrowing costs are capitalised upto the date when the asset is ready for its intended use in accordance with the Accounting Standard -16 "Borrowing Costs".

Advance paid towards acquisition of intangible assets, which are not put to use as at reporting date is disclosed under capital work-in-progress.

5. Depreciation / Amortisation

Micro Inks Limited, India

Depreciation on fixed assets is provided on the Straight Line Method, at rates derived on the basis of the estimated useful lives of the assets determined by the management as given below, except that depreciation on Buildings and Plant and Machinery, other than those described below, is provided at the rates prescribed in Schedule XIV of the Companies Act, 1956.

S. No.	Type of Assets	Useful Life (in Years)
(a)	Plant and Machinery:	
	(i) Contribution to Common Effluent Treatment Plant, Factory Equipment, Material Handling Equipment and Storage Tank with third party	15
	(ii) Air Conditioner, Fire and Safety Equipment, Forklift Truck, Stacker and Weighing Balance	10
	(iii) Fire Tender and Tractor & Trailer	8
	(iv) Communication Equipment (Other than Mobile Phone), Office Equipment, Photocopier and Refrigerator	5
	(v) Mobile Phone and Tote Bin	3
(b)	Laboratory Equipment	10
(c)	Computers	3
(d)	Furniture and Fittings	10
(e)	Vehicles	5
(f)	Intangible Assets:	
	(i) Software	4
	(ii) Technical Know-how	5

Leasehold Land is amortised over the unexpired period of lease.

Depreciation on assets not owned by the Company included in the Gross Block is provided over the estimated period of the economic life of the assets.

Assets costing ₹ 5,000/- or less are fully depreciated in the year of acquisition.

Depreciation is charged on *pro-rata* basis for the assets purchased / sold during the year.

Hostmann-Steinberg Inc., USA

Depreciation is computed on Straight Line Method over the estimated useful life of assets, which range from 4 to 30 years.

Hostmann-Steinberg Australia Pty. Ltd., Australia

The depreciable amount of all Fixed Assets including building and capitalised lease assets, but excluding Freehold Land is depreciated on either a diminishing value or a straight line basis over their useful lives to the Company. Leasehold improvements are depreciated over the shorter of either the unexpired period of lease or the estimated useful lives of improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Useful Lives
Plant and Equipment	5 – 10 years.
Furniture and Fittings	2 – 5 years.

Hostmann-Steinberg New Zealand Limited, New Zealand

Depreciation on Fixed Assets is provided on a straight line basis at rates calculated to allocate the cost of the assets over their estimated useful lives.

The principal depreciation rates are:

Furniture and Fittings	7% to 21%
Plant and Equipment	6% to 67%
Motor Vehicles	21%

6. Goodwill on Consolidation

Until the previous year, goodwill on consolidation was being amortised over a period of 5 years, prorate. This year, the Management has accelerated the amortisation period to 3 years, without any proration. (Also see Note No. 15 of Schedule - 17)

7. Impairment of Assets

At each Balance Sheet date, the Management makes an assessment whether there is any indication that an asset / cash generating units may be impaired. If any such indication exists, the Company estimates the recoverable amount of those assets / cash generating units and an impairment loss is recognised, if the carrying amount of those assets / cash generating units exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. Value in use is arrived at by discounting future cash flows to their present value based on appropriate discounting factor. When there is indication as at each Balance Sheet date, that an impairment loss recognised for asset in prior accounting year no longer exists or may have decreased such reversal of impairment loss is recognised.

8. Investments

Long-term investments are stated at cost, less provision for diminution in value other than temporary. Investments that are readily realisable and intended to be held for not more than a year from the date of investment are classified as current investments. Current investments are stated at lower of cost and fair value.

9. Inventories

The finished and semi-finished inventories are valued at lower of cost on absorption basis and net realisable value.

The raw materials and packing materials are valued at lower of cost and net realisable value. However, materials and other items held for use in production of finished goods are not written down below cost if the products, in which they will be incorporated, are expected to be sold at or above cost. Cost is determined on a transactional weighted average basis, net of CENVAT benefits availed by the Company. The items imported under Duty Entitlement Pass Book (DEPB) / Duty Free Replenishment Certificate (DFRC) / Advance Licence (AL) / Special Import Licence (SIL) are valued inclusive of the notional duty benefits availed.

Damaged, unserviceable and inert stocks are suitably provided for.

Excise Duty and Customs Duty payable on goods held in the bonded warehouse are provided in the valuation of inventory.

Excise Duty payable on finished goods is included in the valuation of inventory.

Consumables and other spares, tools, etc., are valued at lower of cost (transactional weighted average cost, net of CENVAT benefits availed by the Company) and net realisable value.

Hostmann-Steinberg Inc., USA and Hostmann-Steinberg New Zealand Limited, New Zealand

Inventories are stated at the lower of cost or market value and the inventory costs have been determined using the first-in, first-out method.

10. Employee Benefits

The Company has both defined contribution and defined benefit plans, of which some have assets in special funds or similar securities. The plans are financed by the Company and in the case of some defined contribution plans by the Company along with its employees.

(a) Defined Contribution Plan

These are plans in which the Company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to the Employee's Provident Fund and Family Pension Fund which are reported as expenses during the year in which the employees perform the services.

(b) Defined Benefit Plan

At the reporting date, the Company's liabilities towards Gratuity / Compensated absences are determined by independent actuarial valuation using the projected unit credit method which considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past services are recognised on a straight line basis over the average period until the amended benefits become vested. Actuarial gain and losses are

recognised immediately in the Profit and Loss Account as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the Balance Sheet date on Government bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

Gratuity to employees is covered under Group Gratuity Life Assurance Scheme of the Life Insurance Corporation of India.

The Company recognises the undiscounted amount of short-term employee benefits like Medical Reimbursement, Leave Travel Assistance, etc., during the accounting year based on service rendered by employee.

Hostmann-Steinberg Inc., USA

The Company has a 401(k) Salary Deferral Plan (the "Plan"). Under the Plan, all employees at least 21 years of age and that have been employed for at least three months may voluntarily contribute up to 15% of their compensation. The Plan allows for a matching Company contribution of 50% of the first 4% of each participant's compensation, which vests ratably over four years of service.

11. Provisions and Contingencies

A provision is recognised when the Company has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate require to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate. Contingent liabilities are not recognised in the Profit and Loss Account but are disclosed in the Notes to the Accounts.

12. Revenue Recognition

Micro Inks Limited, India

Domestic sales are recognised at the time of despatch to the customer, invoicing being the conclusive event. Export sales are recognised on the basis of dates of bills of lading.

Gross Sales include the excise duty recovered but exclude customs duty, education cess, sales tax and are net of trade discounts. Other recoveries charged separately in invoice are set-off against the respective expenditure heads.

Hostmann-Steinberg Inc., USA

Revenue is recognised upon transfer of title and risk of loss to customers. Title passes to certain customers upon shipment and for customers purchasing on consignment, title passes when ink is used by the customer.

Hostmann-Steinberg Australia Pty. Ltd., Australia

Sales revenue is recognised when significant risks and rewards have been passed from Hostmann-Steinberg Australia Pty. Ltd. This occurs when goods are delivered to customers or when ready for delivery and held on customer's deferred delivery instructions and customer accepts title and the invoice. In either condition revenue and cost incurred, or to be incurred in respect of the transaction, can be reliably measured.

Hostmann-Steinberg New Zealand Limited, New Zealand

Revenue is recognised when goods are despatched to the customer.

13. Export Benefits

Export entitlements under Duty Entitlement Pass Book (DEPB) and Duty Free Replenishment Certificate (DFRC) scheme are recognised in the Profit and Loss Account when the right to receive credit as per the terms of the scheme is established in respect of the exports.

Obligation / Entitlement on account of Advance Licence (AL) and Special Import Licence (SIL) scheme for import of raw material is accounted for on purchase of raw material and / or export sale.

Export benefits from DEPB and DFRC are considered as 'Other Operating Income'. Benefits from AL and SIL are netted from 'Materials Consumed'.

14. Research and Development

Expenditure incurred during research phase is recognised as expense when incurred.

Expenditure incurred during development phase is capitalised if it can be demonstrated that such expenditure would result in future economic benefit.

Other development expenditure is recognised as expense when incurred.

15. Foreign Currency Translations

Transactions in foreign currency are recorded at the rates of exchange in force at the time of occurrence of the transactions.

Monetary items, denominated in foreign currency as at the reporting date, are stated at the rates of exchange prevailing at the reporting date and resultant (gain) / loss are adjusted to Profit and Loss Account.

Forward contracts to which Indian Accounting Standard - 11 'The Effect of Change in Foreign Exchange Rates' has been applied, the premium or discount arising at the inception of such forward exchange contracts are amortised as expense or income over the life of the relevant contracts. Exchange differences on such contracts are recognised as expense or income in the Profit and Loss Account in the reporting period in which the exchange rates change.

Derivative contracts open as at reporting date, other than the forward contracts to which Indian Accounting Standard - 11 'The Effect of Change in Foreign Exchange Rates' has been applied, are marked to market keeping in view the principle of prudence.

16. Assets Taken on Lease

Operating lease payments are recognised as expenditure in the Profit and Loss Account on a straight line basis, representative of the time pattern of benefits received from the use of the assets taken on lease.

17. Loan Processing Fees

The processing fees paid on availment of loans are charged upfront to the Profit and Loss Account when incurred.

18. Taxation

Current tax assets and liabilities for the year are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the Balance Sheet date.

Deferred Tax is recognised, on timing differences (other than those which are expected to be reversed during the tax holiday period), being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred Tax Assets are recognised if there is reasonable certainty that there will be sufficient future taxable income to realise such assets. In situations where the Company has unabsorbed depreciation or carry forward losses under tax laws, Deferred Tax Assets are recognised only to the extent that there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income to realise such assets. The carrying amount of Deferred Tax Assets is reviewed at each Balance Sheet date and is written down to the extent that it is no longer reasonably / virtually certain that sufficient future taxable income will be available against which Deferred Tax Asset can be realised.

Micro Inks Limited, India

The Provision for Current Income Tax is the aggregate of the balance provision for tax for three months ended March 31, 2010, and the estimated provision based on the taxable profit of remaining months upto December 31, 2010, the actual tax liability, for which, will be determined on the basis of the results for the period April 1, 2010 to March 31, 2011, in accordance with the Income-tax Act, 1961.

Provision for Fringe Benefit Tax (FBT) is made in accordance with the provisions of Income-tax Act, 1961. Pursuant to enactment of Finance Act, 2009, Fringe Benefit Tax (FBT) stands abolished w.e.f. April 1, 2009.

Hostmann-Steinberg Inc., USA

Income taxes are accounted for in accordance with the Accounting Standards Codification (ASC) Section 740 (formerly Financial Accounting Standards Board (FASB) Statement No. 109, *Accounting for Income Taxes*). Under this method, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax bases and carrying amounts of assets and liabilities and of net operating loss carry forwards. The Company provides a valuation allowance for deferred tax assets for which it does not consider realisation of such assets to be more likely than not.

19. Earnings Per Share

Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issues and share split.

For the purpose of calculating Diluted Earnings Per Share, the net profit for the year attributable to equity shareholders and the weighted average number of equity shares outstanding during the year are adjusted for the effect of all dilutive potential equity shares.

20. Going Concern

Hostmann-Steinberg Inc., USA

The accounts of Hostmann-Steinberg Inc. have been prepared on a going-concern basis on the assumption of continued financial support from the Parent Company.

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

NOTES TO THE ACCOUNTS (SCHEDULE – 17)

1. (a) Subsidiaries

The Consolidated Financial Statements present the consolidated accounts of Micro Inks Limited with its following subsidiaries:

Name of the Foreign Subsidiaries	Country of Incorporation	Proportion of Ownership Interest
Subsidiaries		
(a) Hostmann-Steinberg Inc.	USA	100% (w.e.f. July 20, 2009, step-down Subsidiary upto July 19, 2009)
(b) Hostmann-Steinberg Australia Pty. Ltd.	Australia	100% (w.e.f. December 1, 2010)
(c) Hostmann-Steinberg New Zealand Ltd.	New Zealand	100% (w.e.f. December 1, 2010)
(d) Micro Inks (Singapore) Pte. Ltd.	Singapore	100% (placed under Members' voluntary winding up on June 29, 2010)
(e) Micro Inks GmbH	Austria	100% (upto November 1, 2009)
Step-down Subsidiary		
(f) Micro Inks (Hong Kong) Ltd.	Hong Kong	100% owned by Micro Inks (Singapore) Pte. Ltd. (Placed under Members' voluntary winding up on April 28, 2009 and dissolved on May 11, 2010)

(b) The Consolidated Financial Statements include the unaudited financial statements of Micro Inks (Singapore) Pte. Ltd., a wholly owned subsidiary, which reflect total assets (net) of ₹ 5.02 million as at December 31, 2010 and net cash outflows amounting to ₹ 0.95 million for the year then ended. These financial statements have not been audited since the Company is placed under Members' voluntary winding-up on June 29, 2010.

(₹ in million)

2. Contingent Liabilities not provided for, in respect of:		As at 31/12/2010	As at 31/12/2009
(a)	Counter Guarantees given to banks	103.12	84.76
(b)	Income Tax, Fringe Benefit Tax, Sales Tax, Central Excise and Service Tax demands:		
(i)	in respect of matters which are contested by Micro Inks Limited	62.66	80.23
(ii)	in respect of matters decided in favour of Micro Inks Limited where the department is in further appeal	342.60	347.75
(c)	Cases filed against Micro Inks Limited in respect of Labour Laws	2.43	1.60
(d)	Bills Discounted	366.36	220.44

(₹ in million)

3. Capital Commitments:		As at 31/12/2010	As at 31/12/2009
Estimated amount of contracts remaining to be executed on Capital Account and not provided for [net of advances of ₹ 13.86 million (As at 31/12/2009, ₹ 140.15 million)].		60.58	74.07

4. Security for Loans:

- (a) ECB Loan of ₹ 86.30 million (USD 2 million) [As at 31/12/2009, ₹ 172.63 million (USD 4 million)] from ICICI Bank Limited, Singapore, is secured by way of *pari-passu* first charge on movable properties (save and except stocks and book debts), both present and future, of the Micro Inks Limited.
- (b) ECB Loan of ₹ 163.70 million (USD 3.33 million) [As at 31/12/2009, ₹ 245.80 million (USD 5 million)] from The Hong Kong and Shanghai Banking Corporation Limited, Hong Kong, ECB Loan of ₹ 342.71 million (USD 7.33 million) [As at 31/12/2009, ₹ 432.00 million (USD 9 million)] from Standard Chartered Bank, United Kingdom, ECB Loan of ₹ 268.26 million (USD 6 million) [As at 31/12/2009, ₹ 279.30 million (USD 6 million)] from DBS Bank Limited, Singapore, and ECB Loan of ₹ 894.20 million (USD 20 million) (As at 31/12/2009, Nil) from Australia and New Zealand Banking Group Limited, Singapore are secured or to be secured by way of first *pari-passu* charge on immovable and movable properties (save and except stocks and book debts), both present and future, of the Micro Inks Limited.
- (c) Working capital loans [including Foreign Currency Loan of ₹ 201.20 million (USD 4.50 million) (As at 31/12/2009, Nil)] are secured by way of first *pari-passu* charge on all the stocks and book debts, both present and future, and are further secured by way of second charge on the immovable properties, both present and future, of the Micro Inks Limited.
- (d) Foreign Currency Loan of ₹ 223.53 million (USD 5.00 million) [As at 31/12/2009, ₹ 349.05 million (USD 7.50 million)] from Bank of India, New York branch, is secured on fixed assets and current assets, both present and future, of Hostmann-Steinberg Inc. and is also guaranteed by Micro Inks Limited.

5. The following are the outstanding derivative instruments:

	Type of Contract	Purpose of Contract	No. of Contracts	Currency	Value in FC (in million)	Value in INR (in million)
(a)	Forward Contracts – Buy	Hedging	3	USD	15.00	670.65
			—		—	—
(b)	Interest Rate Swap Contract (Notional Principal)	Hedging	3	USD	12.00	536.52
			(3)	USD	(14.00)	(651.70)
(c)	Currency Coupon Swap Contract	Hedging	2	USD	6.66	297.90
			(2)	USD	(10.00)	(465.50)
(d)	Principal Only Swap Contract	Hedging	1	USD	1.97	87.96
			(1)	USD	(4.00)	(186.20)

Figures within brackets relate to as at 31/12/2009.

6. Fixed Assets where ownership is not with Micro Inks Limited:

- (a) Plant and Machinery includes HT line installation having net block of ₹ 23.60 million (As at 31/12/2009, ₹ 17.15 million), the ownership of which rests with the Electricity Company / Board.
- (b) Plant and Machinery includes contribution for Common Effluent Treatment Plant having net block of ₹ 1.29 million (As at 31/12/2009, ₹ 2.12 million), the ownership of which rests with a third party.

7. Interest and Other Finance Charges of ₹ 77.07 million (Previous year, ₹ 184.56 million) is arrived at as under:

(₹ in million)

		Year ended 31/12/2010	Year ended 31/12/2009
(a)	Interest on Fixed Period Loans	42.20	78.41
(b)	Other Interest	42.97	85.81
(c)	Loss on Swapping Interest Coupon	45.96	35.11
(d)	Exchange Rate Fluctuation Gain on Foreign Currency Loans	(49.86)	(6.75)
		81.27	192.58
	Less:		
(e)	Interest Received from Customers and Others	3.19	2.62
(f)	Interest on Deposits	0.18	0.17
(g)	Interest Received on Income-tax Refund of earlier years	0.83	5.23
	Total	77.07	184.56

8. Miscellaneous Expenses under Manufacturing and Other Expenses (Schedule - 14) includes Auditors' Remuneration:

(₹ in million)

		Year ended 31/12/2010	Year ended 31/12/2009
(a)	Audit Fees	6.07	7.36
(b)	Other Matters	0.59	2.53
(c)	Out of Pocket Expenses	0.24	0.34
(d)	Taxation Matters	0.13	0.68
	Total*	7.03	10.91

*Includes amount paid to auditors of subsidiary companies of ₹ 4.51 million (Previous year, ₹ 5.60 million).

9. Employee Benefits:

(a) Defined Benefit Plans – Micro Inks Limited makes annual contributions to the Micro Inks Limited Employees' Gratuity Trust, who in-turn, has taken Group Gratuity Scheme of the Life Insurance Corporation of India, which is a funded defined benefit plan for qualifying employees. The scheme provides for lump-sum payment to vested employees at retirement, death while in employment or on termination of employment as per the Gratuity Scheme. Vesting occurs upon completion of five years of service.

(₹ in million)

Expense recognised during the year [included in Manufacturing and Other Expenses (Schedule - 14) of Profit and Loss Account]:		31/12/2010	31/12/2009			
(i)	Current Service Cost	3.66	3.17			
(ii)	Interest Cost	3.11	2.63			
(iii)	Expected Return on Plan Assets	(3.79)	(5.03)			
(iv)	Past Service Cost – Vested Benefit	5.47	—			
(v)	Actuarial Losses / (Gains)	7.04	(2.47)			
	Total	15.49	(1.70)			
Change in the Obligation during the year:						
(i)	Present Value of Defined Benefit Obligation at the beginning of the year	38.22	39.27			
(ii)	Current Service Cost	3.66	3.17			
(iii)	Interest Cost	3.11	2.63			
(iv)	Benefit Paid	(2.28)	(1.31)			
(v)	Past Service Cost – Vested Benefit	5.47	—			
(vi)	Actuarial Losses / (Gains)	7.40	(5.54)			
	Present Value of Defined Benefit Obligation at the end of the year	55.58	38.22			
Change in Assets during the year:						
(i)	Plan Assets at the beginning of the year	44.69	20.03			
(ii)	Contributions by Employer	—	24.01			
(iii)	Expected Return on Plan Assets	3.79	5.03			
(iv)	Benefit Paid	(2.28)	(1.31)			
(v)	Actuarial Gains / (Losses)	0.36	(3.07)			
	Plan Assets at the end of the year	46.56	44.69			
The major categories of Plan Assets as a percentage of total plan:						
	Qualifying Insurance Policy*	100%	100%			
Reconciliation of Net Asset / (Liability) recognised in the Balance Sheet during the year:						
(i)	Net Asset / (Liability) at the beginning of the year	6.47	(19.24)			
(ii)	Employer (Expense) / Income	(15.49)	1.70			
(iii)	Employer Contributions	—	24.01			
(iv)	Net (Liability) / Asset at the end of the year	(9.02)	6.47			
(v)	Actual Return on Plan Assets	4.15	1.96			
Actuarial Assumptions:						
(i)	Discount Rate	8.50%	8.25%			
(ii)	Expected Rate of Return on Plan Assets	8.00%	8.00%			
(iii)	Expected Rate of Salary Increase	5.00%	5.00%			
(iv)	Attrition Rate	2.00%	2.00%			
(v)	Maximum Gratuity Payable per person	1.00	0.35			
(vi)	Mortality Post-Retirement	LIC (1994-96) Ultimate				
Contribution expected to be paid to the plan during the next financial year		3.73	9.19			
Amounts for the current and previous years / period are as follows:						
		Year ended 31/12/2010	Year ended 31/12/2009	Year ended 31/12/2008	Year ended 31/12/2007	Nine-month period ended 31/12/2006
(i)	Defined Benefit Obligation	55.58	38.22	39.27	27.39	23.06
(ii)	Plan Assets	46.56	44.69	20.03	17.89	16.16
(iii)	(Deficit) / Surplus	(9.02)	6.47	(19.24)	(9.50)	(6.90)
(iv)	Experience Adjustments on Plan Assets	0.36	(3.07)	(0.11)	(0.13)	0.97
(v)	Experience Adjustments on Plan Liabilities	7.40	(5.54)	9.87	3.32	3.01

* The details of the Composition of investments made by the Insurer are not readily available with the Company.

(b) Defined Contribution Plans:

Amount recognised as an expense and included in Manufacturing and Other Expenses (Schedule - 14) of the Profit and Loss Account ₹ 44.38 million (Previous year, ₹ 40.71 million).

- (c) Expected rate of return on assets is taken on the basis of the benchmark rate on Government Securities for the tenure of payment.
- (d) The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.
- (e) The Payment of Gratuity (Amendment) Bill, 2010 has been notified by the Central Government of India, amending the maximum gratuity payable under the Payment of Gratuity Act, 1972, from ₹ 0.35 million to ₹ 1.00 million. Micro Inks Limited has given effect of the same in valuing its actuarial liability for gratuity as at December 31, 2010. This has resulted in an additional charge for gratuity of ₹ 5.47 million.

10. Provision for current tax includes ₹ 77.00 million (Previous year, Nil) in respect of earlier years.

11. The significant leasing arrangements in respect of Operating Lease are:

- (a) Micro Inks Limited has entered into a Lease Agreement for Power Generating Equipment and Waste Heat Recovery Equipment. The lease agreement is cancellable by giving notice for the specified period. The Agreement is renewable on mutually agreed terms after completion of the initial lease period. During the year, the Company has paid ₹ 49.84 million (Previous year, ₹ 46.83 million) as Standby Charges (Minimum Charges) and ₹ 12.12 million (Previous year, ₹ 7.93 million) as Variable Charges (Contingent Charges) for the electricity generated and these amounts are included in 'Miscellaneous Expenses' under Manufacturing and Other Expenses (Schedule - 14).
- (b) Lease arrangements for Premises in respect of Marketing Offices, Matching Centers and Depots of Micro Inks Limited are usually renewable on mutually agreed terms but are cancellable. Lease payments in respect of these premises are disclosed as 'Office and Godown Rent' under Manufacturing and Other Expenses (Schedule - 14)
- (c) Lease arrangements for Premises for residential use of employees of Micro Inks Limited are usually renewable on mutually agreed terms but are cancellable. Lease payments in respect of these premises aggregating ₹ 0.57 million (Previous year, ₹ 0.75 million) are included in 'Salaries, Wages and Bonus' under Manufacturing and Other Expenses (Schedule - 14)
- (d) Lease arrangements for certain property, office equipment and automobiles of Hostmann-Steinberg Inc., USA are noncancellable. Lease payments in respect of these premises aggregating ₹ 35.88 million (Previous year, ₹ 47.72 million) are included under Manufacturing and Other Expenses (Schedule - 14). The minimum future lease rentals payable are as under:

(₹ in million)

	As at 31/12/2010	As at 31/12/2009
Not Later than one year	32.07	37.88
Later than one year but not later than five years	44.52	67.24
Later than five years	—	2.46

- (e) Lease arrangements for certain property and vehicles of Hostmann-Steinberg Australia Pty. Ltd., Australia are noncancellable. Lease payments in respect of these premises aggregating ₹ 6.01 million (Previous year, N.A.) are included under Manufacturing and Other Expenses (Schedule - 14) The minimum future lease rentals payable are as under:

(₹ in million)

	As at 31/12/2010	As at 31/12/2009
Not Later than one year	21.05	N.A.
Later than one year but not later than five years	30.07	N.A.
Later than five years	—	N.A.

- (f) Lease arrangements for certain property and vehicles of Hostmann-Steinberg New Zealand Limited, New Zealand are noncancellable. Lease payments in respect of these premises aggregating ₹ 1.23 million (Previous year, N.A.) are included under Manufacturing and Other Expenses (Schedule - 14) The minimum future lease rentals payable are as under:

(₹ in million)

	As at 31/12/2010	As at 31/12/2009
Not Later than one year	14.19	N.A.
Later than one year but not later than five years	13.28	N.A.
Later than five years	—	N.A.

12. Components of Deferred Tax Assets and Liabilities:

(₹ in million)

(a) Particulars	As at 31/12/2010	As at 31/12/2009
Deferred Tax Liability		
Depreciation	413.97	427.69
Total (A)	413.97	427.69
Deferred Tax Assets		
Provision for Doubtful Debts	61.52	59.31
Provision for Compensated Absences and Gratuity	12.03	6.49
Provision for Others	182.58	188.47
Carry forward Operating Losses	1,119.91	1,181.68
	1,376.04	1,435.95
Valuation Allowance	1,310.93	1,372.84
Total (B)	65.11	63.11
Net Deferred Tax Liability (A-B)	348.86	364.58

(₹ in million)

b) Particulars	As at 31/12/2010	As at 31/12/2009
Deferred Tax Asset		
Provision for Others	9.32	—
Total Deferred Tax Asset	9.32	—

13. Earning Per Share (Basic and Diluted):	Year ended 31/12/2010	Year ended 31/12/2009
Profit After Tax (₹ million)	1,330.77	967.55
Weighted Average Number of Equity Shares Outstanding during the financial year (in million)	24.87	24.87
Basic and Diluted Earning Per Share of ₹ 10 each (in Rupees)	53.50	38.90

14. Micro Inks Limited had reviewed the useful lives of certain categories of fixed assets in the previous year. Consequently, depreciation rates on these categories of assets had been revised, resulting in an additional charge for depreciation by ₹ 151.51 million in the previous year and a corresponding reduction in profit before tax for that year by a like amount.

15. The change in accounting estimate for amortisation of goodwill on consolidation, referred to in para B(6) of Schedule - 16 has resulted in an additional charge of ₹ 45.35 million and a corresponding reduction in profit before tax for the year by a like amount.

16. Related Party Disclosures

Related party disclosures, as required by the (Indian) Accounting Standard (AS)-18, are given below:

(a) Where Control Exists:

S. No.	Relationship	Related Party
(i)	Holding Company	MHM Holding GmbH, Germany

(b) Name of related parties and description of relationship, where transactions have taken place during the year:

- (i) Fellow Subsidiaries:
- Michael Huber München GmbH, Germany
 - Hostmann-Steinberg GmbH, Germany
 - Stehlin + Hostag AG, Switzerland
 - Hostmann-Steinberg Australia Pty. Ltd., Australia (upto November 30, 2010)
 - Hostmann-Steinberg New Zealand Ltd., New Zealand (upto November 30, 2010)
 - Hostmann-Steinberg Limited, Canada
 - Huber Chile S.A., Chile
 - Huber Italia S.p.A., Italy

- Huber Inks (Shenzhen) Ltd., China
- Info-Lab Limited, Ireland
- Hostmann-Steinberg Tintas Gráficas Brasil Ltda., Brazil
- Hostmann-Steinberg South Africa (Pty.) Ltd., South Africa
- PT Huber Inks Indonesia, Indonesia
- Michael Huber Austria GmbH, Austria
- Stehlin + Hostag Ink UK Ltd., United Kingdom
- MHM Holding GmbH, Germany
- Mr. Ashwani Bhardwaj (Managing Director)

(ii) Holding Company:

(iii) Key Management Personnel:

(c) Transactions with Related Parties:*(₹ in million)*

S. No.	Name of Related Party	Fellow Subsidiaries	Holding Company	Key Management Personnel	Grand Total
(i)	Sales of Goods and Services	7,856.46	—	—	7,856.46 ^A
		(5,932.64)	—	—	(5,932.64)
(ii)	Purchase of Goods and Services	330.84	—	—	330.84 ^B
		(399.54)	—	—	(399.54)
(iii)	Purchase of Fixed Assets	1.77	—	—	1.77 ^C
		—	—	—	—
(iv)	Other Expenditure	72.05	14.52	—	86.57 ^D
		(45.81)	(95.35)	—	(141.16)
(v)	Reimbursement of Expenditure (Obtained)	10.20	13.69	—	23.89 ^E
		(4.05)	(7.92)	—	(11.97)
(vi)	Interest on Loan	—	0.73	—	0.73 ^F
		—	—	—	—
(vii)	Investment made	—	841.27	—	841.27 ^G
		—	—	—	—
(viii)	Sale of Investment	—	—	—	—
		—	(1.20)	—	(1.20)
(ix)	Remuneration and Perquisites	—	—	9.52	9.52 ^H
		—	—	(8.52)	(8.52)
(x)	Gain / Loss on Exchange Rate Fluctuation (Net) [-ve sign denotes loss]	48.75	3.54	—	52.29 ^I
		(-30.50)	(3.10)	—	(-27.40)
(xi)	Royalty	296.41	—	—	296.41 ^J
		(277.50)	—	—	(277.50)
(xii)	Proposed Dividend (Equity)	—	138.76	—	138.76 ^K
		—	(105.21)	—	(105.21)

Figures within brackets relate to previous year.

(A) Includes Sales of Goods and Services to:

(₹ in million)

Name of the Related Party	Year ended 31/12/2010	Year ended 31/12/2009
Michael Huber München GmbH, Germany	2,460.01	1,788.07
Hostmann-Steinberg GmbH, Germany	1,730.21	1,284.54
Stehlin + Hostag AG, Switzerland	1,304.33	1,035.27
Hostmann-Steinberg Limited, Canada	1,342.60	1,170.39

(B) Includes Purchase of Goods and Services from Stehlin + Hostag AG, Switzerland, amounting ₹ 47.77 million (Previous year, ₹ 59.92 million), Hostmann-Steinberg Limited, Canada, amounting ₹ 226.69 million (Previous year, ₹ 289.19 million).

- (C) Comprises Purchase of Fixed Assets from Stehlin + Hostag AG, Switzerland, amounting ₹ 1.77 million (Previous year, Nil).
- (D) Includes Other Expenditure paid to Hostmann-Steinberg GmbH, Germany, amounting ₹ 19.88 million (Previous year, ₹ 21.22 million), Hostmann-Steinberg Limited, Canada, amounting ₹ 51.39 million (Previous year, ₹ 16.26 million) and MHM Holding GmbH, Germany, amounting ₹ 14.52 million (Previous year, ₹ 95.35 million).
- (E) Includes Reimbursement of Expenditure (Obtained) from Hostmann-Steinberg Australia Pty. Ltd., Australia, amounting ₹ 5.64 million (Previous year, ₹ 1.35 million) and MHM Holding GmbH, Germany, amounting ₹ 13.69 million (Previous year, ₹ 7.92 million).
- (F) Comprises Interest on Loan paid to MHM Holding GmbH, Germany, amounting ₹ 0.73 million (Previous year, Nil).
- (G) Comprises acquisition of 100% Equity Shares of Hostmann-Steinberg Australia Pty. Ltd., Australia, and Hostmann-Steinberg New Zealand Ltd., New Zealand, from MHM Holding GmbH, Germany, amounting ₹ 841.27 million (Previous year, Nil).
- (H) Comprises Remuneration and Perquisites paid to Mr. Ashwani Bhardwaj ₹ 9.52 million (Previous year, ₹ 8.52 million).
- (I) Includes Gain / (Loss) on exchange rate fluctuation on transactions with:

(₹ in million)

Name of the Related Party	Year ended 31/12/2010	Year ended 31/12/2009
Michael Huber München GmbH, Germany	22.88	(24.98)
Hostmann-Steinberg GmbH, Germany	15.95	(18.27)
Stehlin + Hostag AG, Switzerland	7.63	(13.08)

- (J) Comprises Royalty paid / payable to Michael Huber München GmbH, Germany, amounting ₹ 296.41 million (Previous year, ₹ 277.50 million).
- (K) Comprises Proposed Dividend payable to MHM Holding GmbH, Germany, amounting ₹ 138.76 million (Previous year, ₹ 105.21 million).

(d) Balances Outstanding:

(₹ in million)

S. No.	Description	Fellow Subsidiaries	Holding Company	Grand Total
(i)	Receivables	1,235.62	—	1,235.62
		(1,421.40)	—	(1,421.40)
(ii)	Payables	168.53	12.45	180.98
		(170.06)	(80.38)	(250.44)
(iii)	Loans Received	—	92.42	92.42
		—	—	—
(iv)	Proposed Dividend Payable	—	138.76	138.76
		—	(105.21)	(105.21)

Figures within brackets relate to as at 31/12/2009.

17. Segment Information:

In addition to the Significant Accounting Policies applicable to the business segment as set out in Schedule - 16, the Significant Accounting Policies in relation to the segment accounting are as under:

The Management has considered Business Segment as primary format for segment reporting, namely:

- (a) Inks and Intermediates
- (b) Other Products and Services (Lamination Adhesives, Wire Enamels, Ketonic Resins and Polyamide Resins).

These Business Segments have been identified and reported taking into account the product, nature of manufacturing process, industry profile, differences in the risks and returns, the organisational structure and the internal management reporting system.

Inks and Intermediates and Other Products and Services have different manufacturing process, risks and returns and internal reporting system.

The Geographical Segment is considered as secondary format for reporting and identified by taking into account the location of customers, size and risks prevailing in the market, internal organisational structure and the internal management reporting system.

(a) Primary Segment: Business Segment*(₹ in million)*

Particulars	Inks and Intermediates	Other Products and Services	Total
Segment Revenue			
External Revenue	18,482.30 (15,192.46)	1,099.67 (945.33)	19,581.97 (16,137.79)
Inter-segment Revenue		113.69 (108.64)	113.69 (108.64)
Total	18,482.30 (15,192.46)	1,213.36 (1,053.97)	19,695.66 (16,246.43)
Less: Inter-segment Revenue		113.69 (108.64)	113.69 (108.64)
Total Revenue	18,482.30 (15,192.46)	1,099.67 (945.33)	19,581.97 (16,137.79)
Segment Results			
Segment Result	1,855.68 (1,354.04)	141.08 (172.60)	1,996.76 (1,526.64)
Less: Interest and Other Finance Charges (Net)			77.07 (184.56)
Others (Unallocated Income – Unallocated Expenses)			- 0.56 (0.45)
Profit Before Tax			1,920.25 (1,341.63)
Segment Assets and Liabilities			
Segment Assets	11,005.90 (10,432.81)	436.86 (333.39)	11,442.76 (10,766.20)
Unallocated Assets (Excludes Deferred Tax Assets)			2,289.94 (254.30)
Total Assets			13,732.70 (11,020.50)
Segment Liabilities	3,309.43 (2,609.50)	151.10 (146.73)	3,460.53 (2,756.23)
Unallocated Liabilities (Excludes Loan Funds and Deferred Tax Liability)			237.43 (198.62)
Total Liabilities			3,697.96 (2,954.85)
Fixed Assets' Addition[®]	982.85 (220.72)	26.15 (8.64)	1,009.00 (229.36)
Unallocated Capital Expenditure			14.92 (18.30)
Total Addition to Fixed Assets			1,023.92 (247.66)
Depreciation / Amortisation	558.24 (537.07)	5.46 (9.35)	563.70 (546.42)
Unallocated Depreciation / Amortisation			15.38 (37.67)
Total Depreciation / Amortisation			579.08 (584.09)
Non-Cash Expenses other than Depreciation / Amortisation	41.90 (57.93)	9.89 (1.48)	51.79 (59.41)
Unallocated			44.84 (1.57)
Total Non-Cash Expenses other than Depreciation / Amortisation			96.63 (60.98)

Figures within brackets relate to previous year

[®] Excludes Capital Work-in-Progress and adjustment on account of foreign exchange translation difference.

(b) Secondary Segment: Geographical Segment*(₹ in million)*

Particulars	Inks and Intermediates	Other Products and Services	Total
Segment Revenue			
India	6,961.89 (5,969.83)	938.35 (810.62)	7,900.24 (6,780.45)
Outside India (including Export Benefit)	11,520.41 (9,222.63)	161.32 (134.71)	11,681.73 (9,357.34)
Total Revenue	18,482.30 (15,192.46)	1,099.67 (945.33)	19,581.97 (16,137.79)
Assets			
Segment Assets			
India	8,111.06 (6,842.85)	427.17 (329.03)	8,538.23 (7,171.88)
Outside India	2,894.84 (3,589.96)	9.69 (4.36)	2,904.53 (3,594.32)
	11,005.90 (10,432.81)	436.86 (333.39)	11,442.76 (10,766.20)
Unallocated Assets			
India			481.78 (254.30)
Outside India (Excluding Deferred Tax Asset)			1,808.16 —
Total Assets			13,732.70 (11,020.50)
Fixed Assets' Addition[®]			
Segment Assets			
India	465.49 (187.94)	26.15 (8.64)	491.64 (196.58)
Outside India	517.36 (32.78)	— —	517.36 (32.78)
	982.85 (220.72)	26.15 (8.64)	1,009.00 (229.36)
Unallocated Assets			
India			14.92 (18.30)
Total Addition to Fixed Assets			1,023.92 (247.66)

Figures within brackets relate to the previous year.

[®] Excludes Capital Work-in-Progress and adjustment on account of foreign exchange translation difference.

18. The figures of the previous year have been regrouped / rearranged wherever necessary.

For and on behalf of the Board

Anjum Bilakhia
Chairman

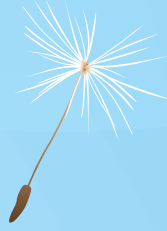
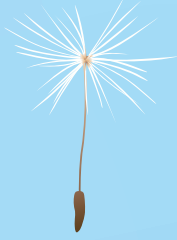
Ashwani Bhardwaj
Managing Director

Hitesh Parikh
Vice President &
Company Secretary

Sundaresh Bhat
Vice President &
Chief Financial Officer

Place : Mumbai
Date : February 19, 2011

Notes



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