



IOL CHEMICALS AND PHARMACEUTICALS LIMITED



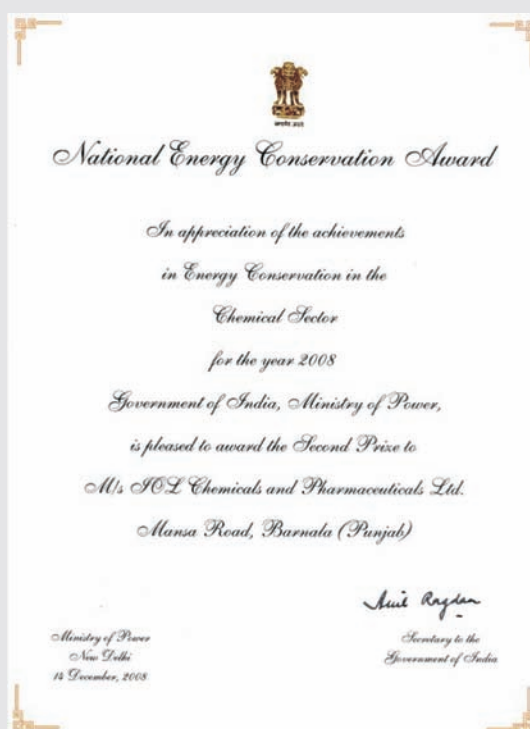
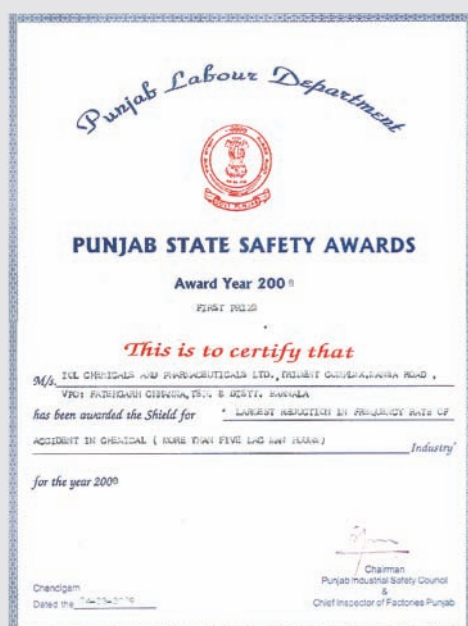
22ND ANNUAL REPORT 2008-2009



Mr. R K Thukral, Executive Director, IOLCP received “ National Energy Conservation Award” from Mr. Sushil Kumar Shinde, Hon'ble Minister of Power, Government of India at a special felicitation ceremony in New Delhi.

Awarded with
“National Energy Conservation Award”

Consecutively for the Year 2005, 2006, 2007 & 2008
 By Ministry of Power, Government of India



Board of Directors

Mr Varinder Gupta - *Chairman & Managing Director*
 Dr M A Zahir
 Mr Chandra Mohan
 Dr (Mrs) H K Bal
 Mr Parminder Singh Cheema - *IDBI Nominee*
 Mr Yogesh Goel
 Mr Ravi Pratap Singh
 Mrs Dimple Gupta
 Mr R K Thukral - *Executive Director*

Vice President & Company Secretary

Mr Krishan Singla

Statutory Auditors

M/s S C Vasudeva & Co.
 Chartered Accountants,
 New Delhi

Cost Auditors

M/s Ramanath Iyer & Co.
 Cost Accountants,
 New Delhi

Bankers

Punjab National Bank
 State Bank of India
 Allahabad Bank
 IDBI Bank Limited

Registrar and Share Transfer Agents

Alankit Assignments Limited
 (Unit: IOL Chemicals and Pharmaceuticals Limited)
 2E/21, Jhandewalan Extension,
 New Delhi- 110055.
 Phone : +91-11-23541234, 42541234
 Fax : +91-11-42541967
 E-mail : rta@alankit.com

Board's Committees**Audit and Risk Management Committee**

Dr M A Zahir - *Chairman*
 Dr (Mrs) H K Bal
 Mr Parminder Singh Cheema

Investors' Grievance Committee

Dr (Mrs) H K Bal - *Chairman*
 Dr M A Zahir
 Mrs Dimple Gupta

Remuneration Committee

Dr M A Zahir - *Chairman*
 Dr (Mrs) H K Bal
 Mr Parminder Singh Cheema

Registered Office :

Trident Complex, Raikot Road,
 Barnala - 148101 (Punjab)
 Phone: +91-1679 - 244701-07
 Fax : +91-1679 - 244708
 E-mail : contact@iolcp.com

Head Office :

85, Industrial Area, 'A'
 Ludhiana - 141003
 Phone: +91-161 - 2225531-35
 Fax : +91-161 - 2608784
 E-mail : contact@iolcp.com

Works :

Village Fatehgarh Chhana,
 Mansa Road, Barnala - 148101
 Phone: +91-1679 - 285285-86
 Fax : +91-1679 - 285292
 E-mail : contact@iolcp.com

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Please visit our website : www.iolcp.com



NOTICE

NOTICE is hereby given that the Twenty-second Annual General Meeting of the members of **IOL Chemicals and Pharmaceuticals Limited** will be held on Saturday, September 12, 2009 at 10.00 AM at the Registered Office of the Company; Trident Complex, Raikot Road, Barnala, Punjab to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the audited Balance Sheet of the Company as at March 31, 2009 and the Profit & Loss Account for the financial year ended on that date together with the Reports of the Auditors and Board of Directors thereon.
2. To appoint a director in place of Dr M A Zahir, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Dr (Mrs) H K Bal, who retires by rotation and being eligible, offers herself for re-appointment.
4. To appoint Auditors and to fix their remuneration.
M/s S C Vasudeva & Co., Chartered Accountants, the retiring Auditors, being eligible, offer themselves for re-appointment.

Special Business:

5. Appointment of Director

To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED that Mr Yogesh Goel, who was appointed as an Additional Director of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956 and holds office upto the date of this Annual General Meeting be and is hereby appointed as a director of the Company, liable to retire by rotation under the Articles of Association of the Company."

By order of the Board
For IOL Chemicals and Pharmaceuticals Limited

Sd/-

Place : Barnala [Krishan Singla]
Dated: July 31, 2009 Vice President & Company Secretary

Registered Office:

Trident Complex, Raikot Road,
Barnala-148101 (Punjab)

NOTES:

- i) The explanatory statement, pursuant to Section 173 of the Companies Act, 1956, in respect of special business is annexed hereto.
- ii) **A member entitled to attend and vote is entitled to appoint a proxy to attend and vote on poll instead of himself/ herself and the proxy need not be a member. Proxy form in order to be effective must be received by the Company not less than 48 hours before the**

meeting. The blank proxy form is enclosed.

- iii) All activities for transfer of shares, dematerialization of shares, change of address etc. are carried out by the Company through its Registrar and Share Transfer Agents (RTA). Members are requested to make their requests to RTA at the following address:

**Alankit Assignments Limited
2E/21, Jhandewalan Extension,
New Delhi-110 055**

- iv) The Register of Members and share transfer books will remain closed from **Tuesday, September 8, 2009 to Saturday, September 12, 2009** (both days inclusive).
- v) Members who are holding shares in identical order of names under more than one folio are requested to send the relative share certificates to the RTA for consolidation of the entire holding under one folio.
- vi) Documents referred to in the Notice are open for inspection at the Registered Office of the Company on all working days, except holidays, between 11.00 AM to 1.00 PM.
- vii) Members desiring any information on Accounts or other items of Agenda are requested to write to the Company at its Registered Office at least ten days before the date of the Annual General Meeting so as enable the Management to keep the information ready.
- viii) Members are requested to:
 - a) Intimate their Permanent Account Number (PAN).
 - b) Send nomination form (format available on Company's website), if not sent earlier.
 - c) Notify the change of address with pin code, to ensure quick delivery of letters and quote their folio/ client ID & DP ID in all correspondence.
 - d) Bring their copies of Annual Report at the meeting.
 - e) Complete the enclosed attendance slip and deliver the same at the entrance of the meeting hall.
 - f) Intimate their **e-mail Id** for quick correspondence with them at **investor@iolcp.com** and/ or register themselves at Company's website **www.iolcp.com**

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

Item No 5

Mr Yogesh Goel, aged 54 years, was appointed as an Additional Director on the Board w.e.f. October 31, 2008 in terms of Article 133 of the Articles of Association of the Company. Pursuant to Section 260 of the Companies Act, 1956 he holds office upto the date of ensuing Annual General Meeting. The Company has received a notice in writing from a member along with required deposit under Section 257 of the Companies Act, 1956 proposing his name for the appointment as a director of the Company.

Mr Yogesh Goel has a graduate degree in chemical engineering from Panjab University, Chandigarh. He is currently working with the Punjab State Industrial Development Corporation Limited (PSIDC) and has 33 years of experience in the identification, promotion and implementation of chemical units in joint/assisted

sectors. He is also Chairman of Punjab Pollution Control Board. The Board has considered that the Company would be immensely benefited by his mature advice and recommends the resolution for your approval.

None of the directors except Mr Yogesh Goel, being the proposed appointee, is interested or concerned in the resolution.

Information pursuant to Clause 49 of the Listing Agreement regarding the directors seeking re-appointment / appointment at the Annual General Meeting.

Name of the Director	Dr M A Zahir	Dr (Mrs) H K Bal	Mr Yogesh Goel
Date of Birth	December 18, 1942	June 12, 1939	May 9, 1955
Date of Appointment	July 30, 1998	March 27, 2002	October 31, 2008
Expertise in specific functional area	Financial and business management education and training	Financial and business management education and training	Chemical Engineering and Project Management
Total experience	42 years	46 years	33 years
Present profession	Chairman of Syntec Business School (SBS), Ludhiana	Advising the various companies on business and financial matters.	Chairman of Punjab Pollution Control Board
Qualification	M.Com., Ph.D	Doctorate in Statistics and Diploma in Management.	Graduate degree in Chemical Engineering
Directorships in other companies	1. Hero Cycles Ltd 2. Highway Industries Ltd 3. Ralson (India) Ltd 4. Sohrab Spinning Mills Ltd 5. Rockman Industries Ltd 6. Hero Honda Finance Ltd 7. Sunshine Corporation Ltd 8. Lotus Integrated Texpark Ltd 9. Trident Cottons Ltd 10. Majestic Autos Ltd 11. Praneel Innovations Ltd	1. Nahar Spinning Mills Ltd 2. Nahar Poly Films Ltd 3. Nahar Industrial Enterprises Ltd 4. Shreyans Industries Ltd 5. Oswal Woolen Mills Ltd 6. Sportking India Ltd 7. Nahar Capital and Financial Services Ltd	1. Nahar Industrial Infrastructure Corporation Ltd 2. Healthcaps India Ltd
Chairmanship of Board Committees	Audit Committee 1. Rockman Industries Ltd 2. IOL Chemicals and Pharmaceuticals Ltd	Shareholders'/Investors' Grievance Committee 1. Nahar Spinning Mills Ltd 2. Nahar Poly Films Ltd 3. IOL Chemicals and Pharmaceuticals Ltd.	Nil
Membership of Board Committees	Audit Committee 1. Hero Cycles Ltd 2. Lotus Integrated Texpark Ltd 3. Praneel Innovations Ltd Shareholders'/Investors' Grievance Committee 1. Praneel Innovations Ltd 2. IOL Chemicals and Pharmaceuticals Ltd	Audit Committee 1. Shreyans Industries Ltd 2. Sportking India Ltd 3. Nahar Industrial Enterprises Ltd 4. IOL Chemicals and Pharmaceuticals Ltd	Audit Committee 1. Healthcaps India Ltd
No. of shares held	300	Nil	Nil
Relationship with other directors	Not related to any other director	Not related to any other director	Not related to any other director

Registered Office:

Trident Complex, Raikot Road,
Barnala-148101 (Punjab)

Place : Barnala
Dated: July 31, 2009

By order of the Board
For IOL Chemicals and Pharmaceuticals Limited

Sd/-
[Krishan Singla]
Vice President & Company Secretary

**DIRECTORS' REPORT****Dear Members**

Your Directors are pleased to present the Twenty-second Annual Report and Audited Accounts for the financial year ended March 31, 2009.

1. Financial Results

The financial results of the Company for the financial year under report are given below: (Rs in lacs)

Particulars	Year ended March 31, 2009	Year ended March 31, 2008
Net sales and other income	30,519.36	31,900.38
Profit before interest & depreciation	3,601.88	3,675.40
Interest	1,491.95	1,295.85
Profit before depreciation	2,109.93	2,379.55
Depreciation	1,000.16	742.89
Profit before tax	1,109.77	1,636.66
Provision for tax (including deferred tax)	(159.65)	400.33
Profit after tax	1,269.42	1,236.33
Balance carried to the Balance Sheet	1,269.42	1,236.33

2. Performance Review

There was slight decline in the overall performance and profitability of the Company in comparison to the previous year's performance because of global recession and temporarily slow down of production due to stream line the expansion and modification of the plants. The net sales and other income of the Company has decreased by 4.33% to Rs 30,519.36 lacs from Rs 31,900.38 lacs. The profit before interest & depreciation has slightly declined by 2% to Rs 3,601.88 lacs during the year under review against Rs 3,675.40 lacs during the previous year. The net profit after tax has increased by 3% to Rs 1,269.42 lacs during the year under review from Rs 1,236.33 lacs during the previous year.

3. Contribution to National Exchequer

The Company has contributed a sum of Rs 3,227.88 lacs as compared to Rs 4,235.14 lacs in the previous year to the National Exchequer by way of central excise duty in addition to contribution through other direct and indirect taxes.

4. Dividend

The Board of Directors has not recommended any dividend keeping in view the ongoing expansion, modification and other future investment possibilities and decided to plough back profit.

5. Allotment of Equity Share

During the year under review, the paid up equity share capital of the Company has been increased from Rs 13,38,00,000 to Rs 18,15,00,000 due to allotment of 47,70,000 equity shares of Rs 10 each on the conversion of warrants in the following trenches:

- 18,85,500 equity shares at a premium of Rs 32 per share on September 6, 2008.
- 13,30,500 equity shares at a premium of Rs 32 per share and 11,00,000 equity shares at a premium of Rs 65 per share on October 30, 2008.
- 4,54,000 equity shares at a premium of Rs 32 per share on February 20, 2009.

In addition, the Company has allotted 30,66,664 equity shares at a premium of Rs 65 per share on April 21, 2009 on the conversion of warrants/debentures resulted in increase in the paid up equity share capital of the Company from Rs 18,15,00,000 to Rs 21,21,66,640.

6. Expansion cum Backward and Forward integration project

The scope of Expansion cum Backward and Forward integration

project of Rs. 216 crores, undertaken by the Company has been revised looking at the present business circumstances with a additional project cost of Rs 40 crores, the aggregating project cost of Rs 256 crores. The project consists of expanding the capacity of acetic acid plant from 50,000 TPA to 75,000 TPA, ethyl acetate plant from 33,000 TPA to 36,000 TPA, acetic anhydride plant from 12,000 TPA to 18,000 TPA, ibuprofen plant from 3,600 TPA to 6,000 TPA and cogeneration power from 4 MW to 17 MW.

In addition to this, as backward and forward integration project, the Company has undertaken the setting up of manufacturing facilities of value added products i.e. acetyl chloride with capacity of 5,200 TPA and mono chloro-acetic acid with a capacity of 7,200 TPA and iso butyl benzene with a capacity of 6,600 TPA. While these products will be used as major raw materials for the manufacture of ibuprofen; acetic acid & acetic anhydride which will be used as raw material for the manufacture of acetyl chloride & mono chloro-acetic acid. The Company is hopeful of completing the project by December, 2009.

However, the Company has commenced the manufacturing operations of mono-chloro acetic acid and acetyl chloride during the month of May, 2009 as partial completion of said project.

7. Recognitions and Awards

The following recognitions and awards have been received by the Company during the year under review:

- Accreditation certificate of foreign drug manufacturer given by Ministry of Health, Labour and Welfare, Yoichi Masuzoe, Japan.
- Registration certificate of Halal Committee, Jamiat Ulama-E-Maharashtra.
- Certificate of Pharmaceutical Product (COPP) from the Director of Health & Family Welfare, Punjab conforming to the WHO guidelines, which certifies the Company's ibuprofen as an API fit to be exported to other countries from India.
- Drug Master File (DMF) acknowledgment for ibuprofen from the Foods and Drugs Administration (FDA), USA.
- European Drug Master File (EDMF) acknowledgment for ibuprofen from the European Directorate for Quality of Medicine & Healthcare (EDQM).
- Star Export House recognition from the Ministry of Commerce and Industry, India.
- First prize in the Punjab State Safety Awards, 2008 for the largest reduction in the frequency of accidents in the chemical sector by the Punjab Industrial Safety Council and Chief Inspector of Factories, Punjab.
- Second prize in the National Energy Conservation Awards, 2008 from the Government of India, in the chemical sector. (The Company has received this award consecutively fourth year)

8. Directors

The Company has appointed Mr Ravi Pratap Singh as Director, liable to retire by rotation w.e.f. July 31, 2008. Mr R K Thukral was appointed as Executive Director of the Company w.e.f. July 31, 2008 for a period of five years. Mr Yogesh Goel was appointed as Additional Director w.e.f. October 31, 2008 and holds office upto the date of ensuing Annual General Meeting. The Company has received a notice under Section 257 of Companies Act, 1956 for the appointment of Mr Yogesh Goel as Director of the Company.

During the year, IDBI Bank Ltd has nominated Mr Parminder Singh Cheema in place of Mrs Lalita Kapur as Director on the Board of the Company w.e.f. March 2, 2009. The Board

accepted the withdrawal of her nomination from the Board and places on record their appreciation for the services rendered by her during her tenure as director of the Company.

According to Article 146 of the Articles of Association of the Company, one third of the directors for the time being are liable to retire by rotation, shall retire from the office. Accordingly Dr M A Zahir and Dr (Mrs) H K Bal, are liable to retire by rotation in the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The Board has recommended the re-election of these directors to the members.

9. Corporate Governance

The Company have in place a system of Corporate Governance. A separate report on Corporate Governance alongwith Auditors' certificate regarding compliance with the Clause 49 of the Listing Agreement is annexed to this Annual Report.

10. Management Discussion and Analysis Report

The Management Discussion and Analysis Report is given separately in this Annual Report.

11. Safety, Health and Environment

Safety is the Company's top priority with regard to employment and the Company is encouraging safety measures at all levels of operations especially at the floor level. Regular training programmes are being conducted to bring in awareness about the importance of safety at the work place. Bi-monthly medical camps are also being organized for the welfare of the members in addition to regular medical facilities provided to them.

The Company has been conferred First prize in the Punjab State Safety Awards - 2008 for the largest reduction in the frequency of accidents in the chemical sector from the Punjab Industrial Safety Council and Chief Inspector of Factories, Punjab.

12. No Default

The Company has not made default in the payment of any statutory dues to government, interest and/or repayment of loans to any of the financial institutions / banks during the year under review.

13. Fixed Deposits

The Company has not accepted any fixed deposits from the public/ members during the year under review.

14. Investor Services

The Company is committed to provide the best services to the shareholders/ investors. M/s Alankit Assignments Limited, New Delhi is working as Registrar and Share Transfer Agents (RTA) of the Company for transfer, dematerialization of shares and other investor related services. No correspondence/enquiry from any shareholder/investor is pending with the Company for reply.

15. Listing of Shares

The equity shares of the Company continued to be listed and traded on the Bombay Stock Exchange Limited (BSE). The script code of the Company at BSE is 524164. The Company has made all compliances of the Listing Agreement including payment of annual listing fee.

16. Audit and Risk Management Committee

Audit and Risk Management Committee of the Company consists of the following three independent directors:

1. Dr M A Zahir (Chairman)
2. Dr (Mrs) H K Bal
3. Mr Parminder Singh Cheema

17. Statutory Auditors' Report

The Auditors' Report on the accounts is self-explanatory and no comments are required.

18. Statutory Auditors

M/s S C Vasudeva and Co., Chartered Accountants, Auditors of the Company, retire at the conclusion of ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Auditors' Report on the accounts is self-explanatory and no comments are required.

19. Cost Auditors

The Central Government had directed that audit be carried out of the cost accounts maintained by the Company in respect of chemicals by a qualified cost accountant. The Board subject to the approval of the Central Government has appointed M/s Ramanath Iyer & Co., Cost Accountants, New Delhi as Cost Auditors, for the financial year 2009-10 and application has been submitted to the Central Government for its approval.

20. Industrial Relations

The industrial relations remained cordial and harmonious throughout the year.

21. Energy Conservation / Technology Absorption and Foreign Exchange Earnings and Outgo

Energy conservation continues to be an area of major emphasis in the Company. A statement giving details of conservation of energy, technology absorption, foreign exchange earnings and outgo, in accordance with Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed hereto as Annexure I and forms part of the report.

The Company has received the "National Award for Energy Conservation" (2nd prize) in the chemical sector for the year 2008 from the Ministry of Power, Government of India, consecutively for the fourth year.

22. Information on personnel

The statement showing the particulars of the employees as required by the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, is not given as no employee was in receipt of remuneration equal to or exceeding Rs 24 lacs per annum, if employed for the full year or Rs 2 lacs per month if employed for the part of the year.

23. Directors' Responsibility Statement

Directors' Responsibility Statement pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956 is enclosed as Annexure II and forms part of the report.

24. Acknowledgement

We are pleased to place on record our sincere gratitude and appreciation for the assistance and co-operation received from the Union Government, the Punjab Government, the Financial Institutions and the Company's Bankers, Members, Customers and Business Constituents.

We also place on record our sincere appreciation for the contribution made by the employees at all levels. Our consistent growth is made possible by their devout, sincere and unstinted services.

For and on behalf of the Board

Sd/-

Place : Chandigarh
Dated : July 31, 2009

(Varinder Gupta)
Chairman and Managing Director

ANNEXURE I TO THE DIRECTORS' REPORT

Information as per Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended March 31, 2009.

I CONSERVATION OF ENERGY
1.1 Energy conservation measures taken:

- a) Replacement of conventional shell & tube heat exchangers with latest technology heat exchangers for better efficiencies.
- b) Replacement of jacketed reactors with limpet coil reactors for better heat transfer coefficient.
- c) Replacement of quenching system from brine based to cooling tower based, by installing graphite falling film absorber cum reactor in iso butyl aceto phenone stage and graphite sulfuric acid dilution system in final ibuprofen stage for energy saving.
- d) Installation of distillation column for ethylene dichloride recovery (solvent) in place of multiple continuous stirred tank reactor for ensuring continuous operation and energy saving.
- e) Replacement of batch type high vacuum distillation with agitated thin film evaporator in aldehyde stage.
- f) Installation of air chillers for removing the moisture in process air in place of using steam by distillation process.
- g) Removing the exothermic reaction heat by creating siphon instead of using forced circulation by pumps for power saving.
- h) Shifting of high head condensers to the lower head for saving power.
- i) Installations of variable frequency drives on vacuum pumps, blowers to save power.
- j) Installations of natural air draft ventilators instead of electrical exhaust fans to save power.

1.2 Additional investments and proposals, if any, being implemented for reduction of consumption of energy.

- a) To change the acetaldehyde to acetic acid oxidation reaction conditions, from high pressure to low pressure to save power.
- b) Shifting the ethyl acetate plant distillation section to multi pressure distillation for creating the cascading in process streams to save energy by efficient heat transfer through them.
- c) On-line removal of impurities and dead catalyst system development for continuous plant operation and to save the down time, shut-down & start up losses.
- d) Modification in acetic anhydride plant ketene furnace to increase the yield and save fuel consumption.
- e) Shifting the acetic anhydride plant distillation section to multi pressure distillation for saving of steam and power by using the acetic acid recovery column vapors as heating media for final distillation columns of acetic anhydride.
- f) Installation of process water recycling system to reduce the water consumption.
- g) Proper automatization of plants by increasing the parameters in distributed control system and Installation of vent gas analyzers for efficient operation.

1.3 Impact of measures taken at (1.1) and (1.2) above for reduction of energy consumption and consequent impact on the cost of production of goods:

While, these measures have been resulted in saving of power, steam and fuel consumption but the consumption per unit of production is higher from the previous year due to lower capacity utilization.

1.4 Total energy consumption and consumption per unit of production as per Form-A of the annexure in respect of industries specified in the schedule thereto.

Particulars	Unit	Year ended March 31, 2009	Year ended March 31, 2008
A. Power and Fuel Consumption			
1. Electricity			
a) Purchased Units	KWH in lacs	51.30	70.25
Total Amount	Rs in lacs	255.73	311.45
Rate/Unit	Rs/KWH	4.99	4.43
b) Own Generation			
i) Through Diesel Generator			
Units	KWH in lacs	2.94	2.39
Units per liter of HSD	KWH	3.58	3.55
Cost/Unit	Rs/KWH	7.44	7.76
ii) Through Turbine Generator			
Units	KWH in lacs	272.35	301.08
Units per MT of Steam	KWH	114	116
Cost/Unit	Rs/KWH	3.26	2.85
2. Coal	MT	45,752	21,259
3. Furnace Oil	KL	1,164.16	1,742.79
4. Others/Internal Generation		NIL	NIL
B. Consumption per unit of production			
Acetic Acid	KWH/MT	320	309
Ethyl Acetate	KWH/MT	65	73
Acetic Anhydride	KWH/MT	293	258
Ibuprofen	KWH/MT	3,748	3,465

II TECHNOLOGY ABSORPTION

Efforts made in technology absorption are as per Form B of the annexure

FORM-B

Disclosure of particulars with respect to technology absorption

1. Research & Development (R & D):**a) Specific areas in which R & D is carried out by the Company:**

- a) Validation of process for new products.
- b) Development of material of construction compatibility study.
- c) Reducing the norms of ibuprofen by providing various trial run in R&D and pilot plant at different operating conditions.
- d) Replaced batch distillation into continuous distillation process in pharma section.
- e) Prepared new products like rabiperzole in R&D scale, kilo lab and trying at pilot plant level.
- f) Designing of new equipment for expansion and quality improvement of acetic acid, acetic anhydride, ibuprofen, acetyl chloride, mono chloro acetic acid and iso butyl benzene.
- g) Identifying & synthesising the impurities in chemical and pharmaceutical section.
- h) Analysis of material balance, energy balance, mass transfer & heat transfer networks for new plants.
- i) Utilization of any waste heat recovered from process in new projects.

b) Benefits derived as a result of the above R & D :

- a) Poly aluminum chloride layer from ibuprofen plant become salable.
- b) Recovery of by products in chemical plant to minimize effluent generation and made it marketable.
- c) Improvement in solvent recovery by providing new process conditions and equipments.
- d) Provided process parameters and simulation for acetyl chloride / mono chloro acetic acid plant.
- e) Reduction in solvents and catalysts in drugs section by providing new processes.

c) Future plan of action:

Working on minimizing the deviation that is between practical norms and theoretical norms by trials runs in the pilot plant, development of new products like acetonitrile, dexibuprofen, pentaprazole, omiprazole, lansoprazole etc. and designing for providing simulation parameters for new plants for optimizing product quality.

2. Technology Absorption, Adaptation & Innovation: Nil**3. Foreign Exchange Earnings & Outgo: (Rs. in Lacs)**

Used	3,529.86
Earned	3,688.82

ANNEXURE II TO THE DIRECTORS' REPORT**Directors' Responsibility Statement**

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, it is hereby confirmed that:

1. in preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanations relating to material departures;
2. the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
3. the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. the directors had prepared the annual accounts on a going concern basis.

For and on behalf of the Board

Place : Chandigarh
Dated : July 31, 2009

Sd/-
(Varinder Gupta)
Chairman and Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

World Economy

World GDP, also known as world gross domestic product or GWP - gross world product, calculated on a nominal basis, was estimated at \$65.61 trillion in 2007 by the CIA World Fact book. While the US is the largest economy, growth in world GDP of 5.2% was led by China (11.4%), India (9.2%) and Russia (8.1%). However, since 2008 there has been signs of downward trend in the economies of the world over, owing to the prevailing financial crisis.

Now, the world economy is stabilizing as it is being helped by unprecedented macroeconomic and financial support. However recession is not over and the recovery is likely to be moderate. IMF estimation has forecasted the global economy to go down further by 1.4% during the year 2009 and to expand by 2.5% in 2010. The Indian Economy is expected to reverse the global trend and is likely to grow by 5.8% and 6.75% in 2009 and 2010 respectively.

Indian Economy

The fallout of the global financial crisis on the Indian economy has been palpable in the industry and trade sectors and has also permeated the services sector. While some segments, especially the export-oriented industries suffered during the second half of the year, the Indian economy has withstood the adverse global economic situation and posted a growth rate of 6.7 per cent in 2008-09.

World Chemical Industry

Chemicals are used to make a wide variety of consumer goods, as well as thousands inputs to agriculture, manufacturing,

construction, and service industries. The chemical industry itself consumes 26 percent of its own output. Major industrial customers include rubber and plastic products, textiles, apparel, petroleum refining, pulp and paper, and primary metals. Chemicals are nearly a \$3 trillion global enterprise, and the chemical companies of the US and EU are the world's largest producers.

The chemical industry has shown rapid growth for more than fifty years. The fastest growing areas have been in the manufacture of synthetic organic polymers used as plastics, fibres and elastomers. Historically and presently also the chemical industry has been concentrated in three areas of the world, Western Europe, North America and Japan (the Triad). The European Community remains the largest producer area followed by the USA and Japan.

The traditional dominance chemical production by the Triad countries is being challenged by changes in feedstock availability and price, labour cost, energy cost, differential rates of economic growth and environmental pressures. Instrumental in the changing structure of the global chemical industry has been the growth in China, India, Korea, the Middle East, South East Asia, Nigeria, Trinidad, Thailand, Brazil, Venezuela, and Indonesia.

Indian Industrial Sector and Chemical Industry

Though the growth of the industrial sector slow down in the first half of 2007-08, the growth during the year remained at high as 8.5%. The industrial sector witnessed a sharp slowdown during 2008-09 as a consequences of successive shock, the most important being the knock-on effects of the global financial crisis. The year 2008-09 thus closed with the industrial growth at only 2.4% as per the Index of Industrial Production (IIP).

Industrial growth by industry groups

Two digit level groups	Weight	2007-08	2008-09
Overall Manufacturing	100	9	2.3
Beverages, tobacco	3	12	15.6
Machinery & equipment	12.1	10.4	8.7
Basic metals and alloys	9.4	12.1	4
Textile products	3.2	3.7	3.7
Chemicals & products	17.6	10.6	2.9
Transport equipments	5	2.9	2.2
Paper & paper products	3.3	2.7	1.3
Non-Met mineral products	5.5	5.7	1
Miscellaneous manufacture	3.2	19.8	0.5
Wool, silk & man-made textiles	2.8	4.8	-0.3
Rubber, plastic, petroleum	7.2	8.9	-1.5
Cotton textiles	7	4.3	-2.8
Metal products	3.5	-5.6	-4
Leather products	1.4	11.7	-7
Food products	11.4	7	-9.6
Jute textiles	0.7	33.1	-10
Wood products	3.4	40.5	-10.3

Figures in per cent based on the IIP - (Base: 1993-94 = 100)