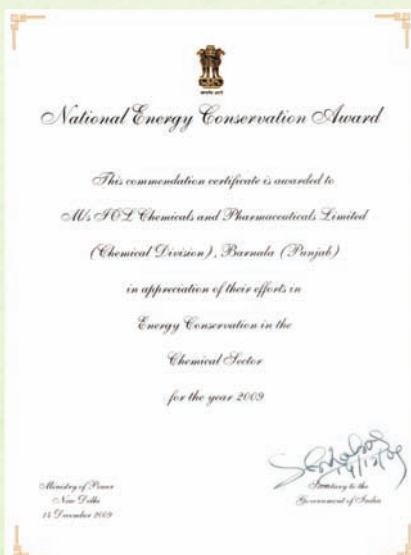


23rd Annual Report
2009-2010



IOI Chemicals and Pharmaceuticals Limited



Awarded with two most prestigious "**National Energy Conservation Award 2009**" for both its divisions, *second prize in Drugs & Pharmaceuticals Sector* and another Commendation Certificate in Chemical Sector Consecutively for the Year 2005, 2006, 2007, 2008 & 2009 by ministry of power, Government of India



Mr RK Thukral, Executive Director, received "National Energy Conservation Award" from Mr Sushil Kumar Shinde, Hon'ble Minister of Power, Government of India at a special felicitation ceremony held on December 14, 2009, National Energy Conservation Day, at New Delhi

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
 Oriental Bank of Commerce

Registrar and Share Transfer Agents

Alankit Assignments 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

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Registered Office

Trident Complex, Raikot Road,
 Barnala - 148101
 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

Please visit our website : www.iolcp.com



NOTICE

NOTICE is hereby given that the Twenty-third Annual General Meeting of the members of **IOL Chemicals and Pharmaceuticals Limited** will be held on Saturday, 14 August 2010 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 31 March 2010 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 Mr Chandra Mohan, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Mrs Dimple Gupta, 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. Issue of warrants/equity shares on preferential basis.

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

"RESOLVED that pursuant to the provisions of section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof) and the enabling provisions of the Memorandum and Articles of Association of the Company and the Listing Agreement entered into by the Company with the Stock Exchanges where the shares of the Company are listed and the prevailing statutory guidelines/regulations in that behalf and subject to all necessary consents, permissions and approvals and/or sanctions from all the appropriate authorities, including the Securities and Exchange Board of India (SEBI), Government of India, Reserve Bank of India, Financial Institutions, Banks, Agents and Trustees, Stock Exchanges and all other bodies and institutions as may be relevant (hereafter singly or collectively referred to as "the Appropriate Authorities") and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting any such consents, permissions, approvals and/or sanctions (hereafter singly or collectively referred to as "the requisite approvals") and which may be agreed to by the Board of Directors of the Company (herein referred to as "the Board which term shall be deemed to include any committee(s) consisting of one or more members of the Board and/or one or more officials of the Company appointed by the Board in this behalf which the Board may constitute to exercise the powers of the Board) the consent, permission

and approval of the Company be and is hereby accorded to the Board to issue, offer and allot 15,00,000 (Fifteen lac) warrants, carrying the option to the holders of such warrants to subscribe to one equity share of face value of Rs 10/- at premium of Rs 68/- per share for every warrant held, within a period of 18 months from the date of allotment of the warrants, to G Consultants and Fabricators Limited, Non-Promoter on preferential basis in accordance with the applicable laws.

"RESOLVED FURTHER that such allotment shall be made in accordance with the extant SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred as "SEBI Regulations") and the price of the equity shares arising out of exercise of option attached with warrants, to be allotted, shall not be lower than the price as determined under SEBI Regulations. The relevant date for the purpose of determining the price for the issue of the equity shares in accordance with the SEBI Regulations is 15 July 2010"

"RESOLVED FURTHER that equity shares to be issued by the Company shall rank pari-passu with existing shares of the Company in all respects."

"RESOLVED FURTHER that the Board be and is hereby authorized to issue, offer and allot the requisite number of warrants and the equity shares arising out of conversion to the proposed allottee at such time or times and in one or more tranches, as the Board may in its absolute discretion decide, subject however to the SEBI Regulations and the other applicable laws and on such terms and conditions including the terms of payment as may be mutually agreed between the Board and the proposed allottee and shall also be entitled to vary, modify or alter any of the terms and conditions, including the size of the issue, as may be deemed expedient by the Board and the proposed allottee."

"RESOLVED FURTHER that for giving effect to this resolution, the Board be and is hereby authorized to take all such steps and actions, to give such directions as it may in its absolute discretion, deem necessary or desirable and also to settle any question or difficulty that may arise with regard to the proposed issue, offer and allotment of the warrants or equity shares upon the exercise of option attached with the warrants."

"RESOLVED FURTHER that the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee of the Board or the Chairman and Managing Director or any other officer or authorized representative of the Company to give effect to the aforesaid resolution."

By order of the Board
For IOL Chemicals and Pharmaceuticals Limited

Place : Barnala
Dated: 17 July 2010
Sd/-
[Krishan Singla]
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, 10 August 2010 to Saturday, 14 August 2010** (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 Annual General Meeting so as enable the Management to keep 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 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

The Company requires funds in near future to achieve economic growth in the business and for meeting present and future

capital expenditure for expansion/ modernization of activities, working capital requirements arising out of increased volume of business and for other corporate purposes as may be required from time to time.

The proposed allottee has principally agreed to subscribe aforesaid warrants convertible into equity shares and Letters of Intent has been received.

The Board proposes to issue 15,00,000 (Fifteen lac) warrants, carrying an option to the holder of such warrants to subscribe to one equity share of face value of Rs 10/- at premium of Rs 68/- per share for every warrant held, within a period of 18 months from the date of allotment of the warrants to G Consultants and Fabricators Limited, Non-Promoter on preferential basis in accordance with SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred as "SEBI Regulations") and other applicable laws.

Objective of the Issue

The funds to be used for meeting present and future capital expenditure for expansion /modernization of activities, working capital requirements arising out of increased volume of business and for other corporate purposes as may be required from time to time.

Pricing of the issue

The minimum price for the issue of warrants or equity shares arising out of exercise of option attached to the warrants shall be determined in accordance with SEBI Regulations. The relevant date for the purpose of determining the price is 15 July 2010.

The equity shares arising out of exercise of option attached to the warrants proposed to be allotted on preferential basis would be issued at a price determined by the SEBI pricing formula or Rs 78/- per share, whichever is higher. An amount equivalent to 25% of the price fixed in terms of abovesaid clause shall become payable for the warrants on the date of its allotment. The amount deposited with the application will be forfeited in case the warrant holders fail to exercise the option to subscribe the equity shares within the prescribed time.

Proposed time for completion of allotment

The allotment of warrant shall be completed within a period of 15 days from the date of the passing of this resolution, provided where the allotment is pending on account of any statutory approval or approval from any regulatory authority or the Central Government, the allotment shall be completed within 15 days of such approval.

Lock-in-period

These warrants and equity shares to be allotted on the exercise of the warrants to Non-Promoter shall be subject to lock-in for a period as prescribed under SEBI Regulations.

Identity of proposed allottee & percentage of holding

G Consultants and Fabricators Limited, is Non-promoter company and presently not holding any share of the Company. After the allotment of 15,00,000 equity shares, it shall have 6.19% shareholding in the Company.

Shareholding Pattern before and after the proposed preferential allotment

Particulars	Pre-issue shareholding		Post issue shareholding after conversion of said 15 lac warrants issued to non-promoter		Post issue shareholding after conversion of all outstanding warrants	
	Shares	% age	Shares	% age	Shares	% age
Promoters	1,24,40,053	54.76	1,24,40,053	51.37	1,54,40,053	56.73
Subtotal	1,24,40,053	54.76	1,24,40,053	51.37	1,54,40,053	56.73
Mutual Fund	10,700	0.05	10,700	0.04	10,700	0.04
Foreign Investors	33,22,707	14.63	33,22,707	13.72	33,22,707	12.21
Body Corporate	39,09,348	17.21	54,09,348	22.34	54,09,348	19.87
Individuals	30,33,856	13.35	30,33,856	12.53	30,33,856	11.15
Subtotal	1,02,76,611	45.24	1,17,76,611	48.63	1,17,76,611	43.27
TOTAL	2,27,16,664	100.00	2,42,16,664	100.00	2,72,16,664	100.00

Auditors' certificate

The Statutory Auditors' certificate as per SEBI Regulations shall be placed before the members.

Pursuant to the provisions of Section 81(1A) of Companies Act, 1956, any offer or issue of securities in a Company to any person other than the holders of the equity shares of a Company or to such holders otherwise than in proportion to the capital paid-up, requires prior approval of the members in general meeting by a Special Resolution.

The Board, accordingly recommends the resolution for approval of the members.

None of Director of the Company is, in any way, concerned or interested in the said 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	Mr Chandra Mohan	Mrs Dimple Gupta
Date of Birth	30 December 1932	26 June 1967
Date of Appointment	27 October 2005	13 March 2006
Expertise in specific functional area	An inventor-engineer, pioneering R&D scientist, gutsy entrepreneur, business leader, educationist & community builder	Industrialist
Total experience	More than 50 years	20 years
Present profession	Consultant	Industrialist
Qualification	BA (Hons) & BSc in Mechanical Engineering	Graduate
Directorships in other companies	1. Rico Auto Industries Ltd 2. Engineering Innovations Ltd 3. Sandhar Technologies Ltd 4. Winsome Yarns Ltd 5. DCM Engineering Ltd 6. Kamla Dials & Devices Ltd 7. Winsome Textiles Industries Ltd	1. Mayadevi Polycot Ltd 2. IOL Lifesciences Ltd 3. NM Merchantiles Ltd 4. NCG Enterprises Ltd
Chairmanship of Board Committees	Nil	Nil
Membership of Board Committees	Audit Committee 1. Winsome Yarns Ltd 2. DCM Engineering Ltd 3. Winsome Textiles Industries Ltd Shareholders'/Investors' Grievance Committee 1. Winsome Textiles Industries Ltd	Shareholders'/Investors' Grievance Committee 1. IOL Chemicals and Pharmaceuticals Ltd
No of shares held	Nil	Nil
Relationship with other directors	Not related to any other director of the Company.	Wife of Mr Varinder Gupta, Chairman & Managing Director.

Registered Office:

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

By order of the Board
For IOL Chemicals and Pharmaceuticals Limited

Place : Barnala
Dated : 17 July 2010

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

DIRECTORS' REPORT**Dear Members**

Your Directors are pleased to present the Twenty-third Annual Report and Audited Accounts for the financial year ended 31 March 2010.

1. Financial Results

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

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Net sales and other income	35,041.67	30,519.36
Profit before interest & depreciation	3,953.26	3,601.88
Interest	1,486.74	1,491.95
Profit before depreciation	2,466.52	2,109.93
Depreciation	1,001.12	1,000.16
Profit before tax	1,465.40	1,109.77
Provision for tax (including deferred tax)	463.80	(159.65)
Profit after tax	1,001.60	1,269.42
Balance carried to the Balance Sheet	4,619.54	3,617.94

2. Performance Review

There was a healthy improvement in the overall performance and profitability of the Company in comparison to the previous year's performance. Net sales and other income of the Company has increased by 14.82% to Rs 350.42 crore from Rs 305.19 crore. Corresponding profit before interest & depreciation has increased by 9.76% to Rs 39.53 crore during the year under review against from Rs 36.02 crore. Net profit after tax decreased by 21% to Rs 10.02 crore during the year under review from Rs 12.69 crore of the previous year due to the higher provision for taxation of Rs 4.64 crore against during the year under review in comparison to a deferred tax credit of Rs (1.60) crore.

3. 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.

4. Allotment of Equity Share and Warrants

During the year under review, paid up equity share capital of the Company has been increased from Rs 18,15,00,000 to Rs 22,71,66,640 due to allotment of 45,66,664 equity shares of Rs 10 each on conversion of fully convertible debenture and warrants in following trenches:

- 18,66,664 equity shares at a premium of Rs 65 per share on 21 April 2009 against conversion of fully convertible debenture which were earlier issued to non-promoters on preferential basis.
- 12,00,000 equity shares at a premium of Rs 65 per share on 21 April 2009 against exercise of options attached to warrants which were earlier issued to promoters on preferential basis.
- 15,00,000 equity shares at a premium of Rs 46 per share on 16 January 2010 to promoters on preferential basis.

In addition to above, Company has allotted 30,00,000 (thirty lac) warrants on 16 January 2010, carrying an option to the holders of such warrants to subscribe to one equity share of Rs 10 at premium of Rs 46 per share for every warrant held, within a period of 18 months from the date of allotment of the warrants, to the promoters/ promoters' companies on preferential basis.

5. Issue of Foreign Currency Convertible Bonds (FCCBs)

Company has issued 50 Zero Coupon Unsecured Foreign Currency Convertible Bonds on 28 May 2010 due June 2015 (ISIN XS 0505067461) aggregating to USD 5 million (subject to an option to issue an additional USD10 million of such bonds) to international investors to part finance capital expenditure programme of the Company. Each bond is convertible into equity shares of face value of Rs 10 each of the Company at

a conversion price of Rs 78 per share at any time on or after 28 May 2010 until the close of business on 28 May 2015, unless previously redeemed, converted or purchased and cancelled. The Company has also option to convert the bonds at any time from 28 November 2014 to 28 May 2015. Bonds which are not redeemed, converted or purchased and cancelled, are redeemable on 5 June 2015 at an amount equal to principal amount of the Bonds multiplied by 141.24872.

These bonds have been listed on the Luxembourg Stock Exchange, Luxembourg.

6. Expansion project

Expansion cum Backward and Forward integration project, undertaken by Company has been successfully completed and implemented during the year under review with aggregated project cost of Rs 258 crore. Following enhanced capacities became commercially operative during the year :

Sr No.	Product	Unit	Earlier capacities	Enhanced capacities
1.	Acetic Acid	TPA	50,000	75,000
2.	Ethyl Acetate	TPA	33,000	36,000
3.	Acetic Anhydride	TPA	12,000	18,000
4.	Ibuprofen	TPA	3,600	6,000
5.	Cogeneration Power	MW	4	17
6.	Acetyl Chloride	TPA	—	5,200
7.	Mono Chloro Acetic Acid	TPA	—	7,200
8.	Iso Butyl Benzene	TPA	—	6,600

Company has now embarked upon a second phase of capacity enhancement and diversification into more value-added pharmaceutical products which will involve a CAPEX of Rs 130 crore. Detail of proposed capacities under this project is as follow:

Sr No.	Product	Unit	Present capacities	Proposed capacities
1.	Proton Pumps Inhibitors (PPI's)	TPA	—	150
2.	Multi Purpose Plant	TPA	—	2,400
3.	Ethyl Acetate	TPA	36,000	42,000
4.	Acetic Anhydride	TPA	18,000	30,000
5.	Iso Butyl Benzene	TPA	6,600	9,000

7. Credit Rating

The Credit Analysis & Research Ltd (CARE) has rated Company as "CARE BBB" for Long Term Facilities which indicates moderate safety for timely servicing of debt obligations and as "PR2" for Short Term Facilities which indicates adequate capacity for timely payment of short term debt obligations.

8. Awards

Members would be happy to note the receipt of following awards by their Company during the year under review:

- 1 National Energy Conservation Award 2009 (Second Prize) for appreciation of its efforts in energy conservation in Drugs & Pharmaceuticals Sector from Ministry of Power, Government of India
- 2 National Energy Conservation Award 2009 (Commendation Certificate) for appreciation of its efforts in energy conservation in Chemical Sector from Ministry of Power, Government of India. (Company has received this award consecutively fifth year)
- 3 State Energy Conservation Award (Second Position) from the Punjab Energy Development Agency, Chandigarh.

9. Recognitions

Following recognitions were received by the Company during the year under review:

1. Registration certificate of Halal Committee, Jamiat Ulama-E-Maharashtra;
2. A Kosher Certification from Kosher Inspection Services India;
3. A Star Export House recognition from the Ministry of Commerce and Industry, India.



10. Directors

According to Article 146 of the Articles of Association of the Company, one third of the directors for time being liable to retire by rotation, shall retire from the office. Accordingly, Mr Chandra Mohan and Mrs Dimple Gupta, are liable to retire by rotation at the ensuing Annual General Meeting and, being eligible, have offered themselves for re-appointment. Board has recommended the re-election of these directors to the members.

11. Corporate Governance

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

12. Management Discussion and Analysis Report

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

13. Safety, Health and Environment

Safety is Company's top priority with regard to employment and it 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 work place. Bi-monthly medical camps are also being organized for welfare of the members in addition to regular medical facilities provided to them.

Company has been awarded with the Punjab State Safety Awards in 2008 for the largest reduction in the frequency of accidents in chemical sector from the Punjab Industrial Safety Council and Chief Inspector of Factories, Punjab.

14. No Default

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.

15. Fixed Deposits

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

16. Investor Services

Company is committed to provide the best services to the shareholders/ investors. M/s Alankit Assignments Limited, New Delhi are working as Registrars 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.

17. Listing of Shares

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

18. 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

19. Statutory Auditors' Report

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

20. 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, have offered themselves for re-appointment. Auditors' Report on the accounts is self-explanatory and no comments are required.

21. 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. Board subject to approval of the Central Government has appointed M/s Ramanath Iyer & Co., Cost Accountants, New Delhi as Cost Auditors, for financial year 2010-11 and application has been submitted to the Central Government for its approval.

22. Industrial Relations

Industrial relations remained cordial and harmonious throughout the year under review.

23. 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.

Company has received the "National Energy Conservation Award 2009" for both divisions. Second prize in Drugs & Pharmaceuticals Sector and Commendataion Certificate in Chemical Sector from the Ministry of Power, Government of India. The said award is received by Company consecutively for the fifth year.

24. Information on personnel

Statement showing 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 lac per annum, if employed for the full year or Rs 2 lac per month if employed for the part of the year.

25. 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 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.

26. Acknowledgement

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

We also place on record our sincere appreciation for 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/-

(Varinder Gupta)

Place : Ludhiana
Dated : 29 May 2010

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 31 March 2010.

I CONSERVATION OF ENERGY**1.1 Energy conservation measures taken:**

- a) Installation of compabloc heat exchanger and new bubble cap distillation column in ethyl acetate plant distillation section to shift it to multi pressure distillation for creating cascading in process streams to save energy by efficient heat transfer through them.
- b) Installation of distillation columns and dump kettles for on-line removal of impurities and dead catalyst for continuous plant operation and to save down time, shut-down & start up losses.
- c) Replacement of brine based haste alloy coil in quenchers with chilled water based Mild Steel Glass lined reactors.
- d) Installation of 13MW power plant with whole back pressure steam, which will be used in the process for heating.
- e) Installation of high efficient heat exchangers like corrugated tubes, floating head, plate type heat exchangers instead of conventional shell and tube type heat exchangers.
- f) Installation of distillation column for solvent recovery in pharmaceutical section in place of simple stirred evaporation for ensuring continuous operation and energy saving.
- g) Installation of high capacity agitated thin film evaporator in intermediate stage of ibuprofen in place of vacuum distillation for better efficiency.
- h) Installation of low pressure compressors and new reactor to change acetaldehyde to acetic acid oxidation reaction conditions, from high pressure to low pressure by which siphon was created for removing exothermic heat instead of using forced circulation pumps to save power both from circulation pumps and low pressure compressors.
- i) Decreasing the height of condensers to reduce head requirement for cooling water pumps which resulted in the saving of electrical energy.
- j) Installation of spent gas firing system at ketene fired heater in acetic anhydride section to use byproduct spent gas from Iso butyl benzene plant as fuel.

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

- a) Installation of air stripper to recover the unreacted acetaldehyde with air instead of using steam for efficient recovery & saving of thermal energy.
- b) To install new ketene furnace with waste heat recovery systems and design based on high thermal and process efficiency.
- c) Replacement of the existing azeotropic distillation technology used in acetic anhydride plant recovery section to extractive distillation for reducing thermal energy consumption and waste effluent.
- d) Re-engineering of steam and condensate system with separate flow meters for all sections and use of flash steam in plants.
- e) To install the gas holder for collecting all the vents of chemical plants, and then using it as fuel in our furnace, by which it will improve thermal efficiency in form of fuel and also improve the environment conditions around the plant by converting whole plant in closed loop.
- f) To install new crude column in ethyl acetate plant with highly efficient glass structure packing instead of bubble cap column to increase process and thermal efficiency.
- g) To install separators in quenching section of acetic anhydride plant at the temperature of 20 Deg C to separate acetic acid and on further cooling the ketene gas to 15 Deg C instead of 0 Deg C to increase process and thermal efficiency.
- h) Agitated thin film evaporators have to be installed in place of reactors for ester distillation.
- i) Continuous centrifuge to be installed in place of batch type centrifuge.
- j) Variable frequency drives to be installed in power plant at feed pump, forced draft fan and primary air blowers for saving of electrical energy.

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:

Consumption per unit of production is lower from that of previous year due to better capacity utilization and measures taken to conserve the energy.

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 31 March 2010	Year ended 31 March 2009
A. Power and Fuel Consumption			
1. Electricity			
a) Purchased Units	KWH in lac	89.78	51.30
Total Amount	Rs in lac	474.62	255.73
Rate/Unit	Rs/KWH	5.29	4.99
b) Own Generation			
i) Through Diesel Generator			
Units	KWH in lac	4.38	2.94
Units per liter of HSD	KWH	3.51	3.58
Cost/Unit	Rs/KWH	8.14	7.44
ii) Through Turbine Generator			
Units	KWH in lac	293.88	272.35
Units per MT of Steam	KWH	113	114
Cost/Unit	Rs/KWH	3.16	3.26
2. Coal	MT	48,222	45,752
3. Furnace Oil	KL	2,195	1,164
4. Others/Internal Generation		NIL	NIL
B. Consumption per unit of production			
Acetic Acid	KWH/MT	322	320
Ethyl Acetate	KWH/MT	62	65
Acetic Anhydride	KWH/MT	282	293
Ibuprofen	KWH/MT	3,001	3,748



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:

- Process parameters for acetophenone, sodium mono chloro acetate and tri chloro acetyl chloride in R&D Lab.
- Trial run of checking corrosion rate of different materials with different chemicals.
- Working on parameters of existing products to improve quality and product norms.
- Implementation of continuous processes instead of conventional processes in ibuprofen plant.
- Study of process parameters for acetic acid, ethyl acetate, anhydride, mono chloro acetic acid and iso butyl benzene plant distillation columns for improvement in product quality and minimize losses using software.
- Find out impurities in new products and develop same in R&D.
- Installing more instruments in R&D lab for better efficiency of analysis.

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

- Preparation of rabeprazole sodium and validation completed.
- Preparation and validation of omiprazole in R&D.
- Preparation of acetonitrile in R&D.
- Reduction in solvents and catalysts in drugs section by providing new processes like distillation in column instead of reactor.

c) Future plan of action:

Synthesis of new products like dexibuprofen, pentaprazole, lansoprazole, pelletization of all PPI in R&D and transfer technology into pilot plant and then in commercial scale.

2. Technology Absorption, Adaptation & Innovation: Nil

3. Foreign Exchange Earnings & Outgo: (Rs in lac)

Used	1,032.77
Earned	6,111.35

For and on behalf of the Board

Place : Ludhiana
Dated : 29 May 2010

Sd/-
(Varinder Gupta)
Chairman and Managing Director