

16th ANNUAL REPORT

2001 - 2002



Manali Petrochemical Ltd

BOARD OF DIRECTORS

| | |
|------------------------------------|--------------------|
| Dr. A.C. MUTHIAH | Chairman |
| M.H. AVADHANI | Director |
| C.V.R. PANIKAR | Director |
| G. RAGHAVENDRAN | Director |
| M. SIVAGNANAM | Director |
| S.S. SIVAPRAKASA | Director |
| R. SUBRAMANIAM (Upto 20-3-2002) | Director |
| D. ARUNACHALAM | Director |
| Dr. P.L. SANJEEV REDDY | Nominee of UTI |
| T. WILLINGTON | Nominee of TIDCO |
| G. RAMACHANDRAN | Managing Director |
| K.K. RAJAGOPALAN | Director (Finance) |

AUDIT COMMITTEE

| | |
|------------------------------------|---------------------------------|
| R. SUBRAMANIAM (Upto 20-3-2002) | Chairman |
| M. SIVAGNANAM | Chairman (w.e.f. 28-06-2002) |
| C.V.R. PANIKAR | Member |
| M.H. AVADHANI | Member |
| G. RAGHAVENDRAN | Member |
| D. ARUNACHALAM | Member |
| Dr. P.L. SANJEEV REDDY | Member |

COMPANY SECRETARY

S.DIRAVIAM

AUDITORS

M/s. S.R. Batliboi & Co. Chennai

BANKERS

State Bank of India
 State Bank of Hyderabad
 State Bank of Patiala
 Indian Bank
 Canara Bank
 Punjab National Bank
 Corporation Bank
 State Bank of Bikaner and Jaipur
 Bank of India

REGISTERED OFFICE

"SPIC House"
 88, Mount Road,
 Guindy,
 Chennai - 600 032.

PRINCIPAL OFFICE & PLANT - I

Ponneri High Road,
 Manali, Chennai - 600 068.
 Phone : 5941025, 5941249, 5941253
 Fax : 5941199
 Email : it@manalipetro.com

PLANT - II

Sathangadu Village,
 Manali, Chennai - 600 068.
 Phone : 5941698, 5941701

SECRETARIAL DEPARTMENT

Ponneri High Road,
 Manali, Chennai - 600 068.
 Phone : 5943895 (Direct)
 Email : diraviam@manalipetro.com

DEPOSITORY

National Securities Depository Ltd. (NSDL)
 Central Depository Services (India) Limited (CDSL)

SHARES LISTED WITH

1. Madras Stock Exchange Ltd.
11, Second Line Beach,
Chennai - 600 001.
2. The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 001.
3. National Stock Exchange of India Limited
Exchange Plaza,
Bandra - Kurla Complex,
Bandra (East), Mumbai - 400 051.
4. The Calcutta Stock Exchange Association Limited
No.7, Lyons Range,
Kolkatta - 700 001.

REGISTRARS AND SHARE TRANSFER AGENT

M/s. Cameo Corporate Services Limited
 "Subramanian Building"
 No. 1, Club House Road, Chennai - 600 002
 Phone : 8460390 - 394 Fax : 8460129



NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Sixteenth Annual General Meeting of the Members of Manali Petrochemical Ltd will be held at Kamaraj Arangam, 492 (Old No.574-A) Anna Salai, Teynampet, Chennai - 600 006, on Wednesday, the 25th September 2002 at 3.00 P.M. to transact the following business :

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March 2002 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in the place of Mr. M Sivagnanam, who retires by rotation and being eligible offers himself for re-election.
3. To appoint a Director in the place of Mr. S S Sivaprakasa, who retires by rotation and being eligible offers himself for re-election.
4. To appoint a Director in the place of Mr. M H Avadhani, who retires by rotation and being eligible offers himself for re-election.
5. To consider and if thought fit, to pass with or without modification, the following Resolution as a SPECIAL RESOLUTION :

"RESOLVED THAT pursuant to Section 224A of the Companies Act, 1956, M/s. FRASER & ROSS, Chartered Accountants, Chennai be and are hereby appointed as Statutory Auditors of the Company, in the place of M/s. S. R. BATLIBOI & Co., the retiring Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on a remuneration to be fixed by the Board of Directors of the Company in connection with the Company's Audit."

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass with or without modification, the following as a SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 and subject to such consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies, the Articles of Association of the Company, be and is hereby altered as follows":

To insert the following Article after existing Article 78 and to be named as Article 78A:

"Article 78A - Notwithstanding anything contained in the Articles of Association of the Company, the Company do adopt the mode of passing a resolution by the Members of the Company by means of a postal ballot and / or other ways as may be prescribed by the Central Government in this behalf in respect of the following matters instead of transacting such business in a General Meeting of the Company.

Resolutions relating to such business as the Central Government may by notification, declare to be conducted only by postal ballot.

The Company shall comply with the procedure for such postal ballot and / or other ways as may be prescribed by the Central Government in this regard".

Registered Office:
"SPIC House"
88, Mount Road, Guindy,
Chennai - 600 032.
Date : July 27, 2002

By Order of the Board

S DIRAVIAM
Company Secretary

NOTES:

1. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and on a poll to vote instead of himself and a proxy need not be a Member of the Company.
2. The proxies in order to be valid must be received by the Company at its Registered Office / Principal Office of the Company not less than 48 hours before the commencement of Meeting.
3. Relevant Explanatory Statement of material facts pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item No.5 & 6 of the Notice is annexed hereto.
4. Members / Proxies should bring the Attendance Slip sent herewith, duly filled in and signed and hand over

the same at the entrance of the hall for attending the Meeting and Members who hold shares in the dematerialised form, are requested to indicate without fail their DP ID and Client ID numbers in the Attendance Slips. Members are requested to bring their copies of the Annual Report with them.

5. The Register of Members and the Share Transfer Books of the Company will remain closed from 17.9.2002 to 25.9.2002 (both days inclusive).
6. Members are requested to furnish the details of their nomination (if not already sent) in the necessary Form to the Registered Office of the Company.



ANNEXURE TO NOTICE

EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

Item No.5

Pursuant to Section 224-A of the Companies Act, 1956, since more than 25% of the Subscribed Capital of the Company is held by the Public Financial Institutions, Government Company, the appointment of Auditors has to be made by a Special Resolution.

M/s. S R BATLIBOI & Co., the retiring Auditors, do not propose to offer themselves for re-appointment and they have no representation to be made in this connection. A Special Resolution as set out in item No.5 of the notice for appointment of M/s. FRASER & ROSS, Chartered Accountants, Chennai as Statutory Auditors of the Company in the place of M/s. S R BATLIBOI & Co., is recommended for adoption by the Members.

None of the Directors of the Company is concerned or interested in the above Resolution.

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Date : July 27, 2002

Item No.6

Consequent to amendment to the Companies Act, 1956, giving shareholders of Public Listed Companies a right to vote through postal ballot system for certain matters for which Notification has been issued by the Department of Company Affairs in this regard, the Articles of Association of the Company need to be amended as proposed in the resolution to be in line with the provisions of the Companies Act, 1956.

The Board commends the resolution for the approval of the Members.

None of the Directors of the Company is concerned or interested in the above Resolution.

INSPECTION OF DOCUMENTS

The Documents referred to in this Notice / Explanatory Statement are open for inspection by any Member at the Principal Office of the Company during the Company's business hours on any working day upto the date of Annual General Meeting.

By Order of the Board

S DIRAVIAM
Company Secretary

Brief Resume of the Directors seeking re-appointment in the 16th Annual General Meeting to be held on 25.9.2002 :

1. **Mr. M Sivagnanam, IAS (Retd.)** was appointed on the Board effective 26.12.1989. He was the Chief Secretary to the Government of Gujarat. He was the Managing Director of Gujarat Narmada Valley Fertilizers Ltd. He was the Chairman of the Gujarat State Constructions Corporation, Gujarat Mineral Development Corporation and Gujarat Electricity Board. He was a Director of IPCL and a Member of the Board of Governors of IIM, Ahmedabad. He was instrumental for the successful implementation of several industrial projects in Gujarat. He was also the Advisor to the Central Planning Commission and in charge of industrial policy and the Advisor, State Plan for Southern States. He was also a member of the Tamilnadu State Planning Commission.
2. **Mr. S S Sivaprakasa** was appointed on the Board effective 23.9.1987. He holds Bachelor's degree in Law and is a qualified Company Secretary. He started practising as an Advocate in the High Court of Madras in the year 1950 and continued his practice for more than two decades and thereafter he joined EID Parry for a short stint. After that, he joined SPIC. He was the first Company Secretary of SPIC and held this position till his retirement i.e., upto 1985. After retirement, he continues his practice in the High Court of Madras.
3. **Mr. M H Avadhani** was appointed on the Board effective 15.12.1990. He is a Chemical Engineer with more than 40 years of industrial experience. He holds a Bachelor's degree B.Sc. (Hons) - Chem. Tech. and also Master's degree M.Sc. in Chem. Tech. He served as Vice President (Technical) in SPIC, Chennai. He also held the position of Managing Director in IFFCO, New Delhi. He is presently the Chairman of Emmellen Biotech Pharmaceuticals Limited, Mumbai.



REPORT OF THE DIRECTORS AND MANAGEMENT DISCUSSION & ANALYSIS

To

The Shareholders

Your Directors present herewith the 16th Annual Report of the Company together with the audited statement of accounts for the year ended 31st March 2002.

OPERATING RESULTS FOR THE YEAR 2001-02 : (Rs. in lakhs)

| PRODUCT | SALES | | | |
|------------------|-------------|-----------|-------------|-----------|
| | 2001 - 2002 | | 2000 - 2001 | |
| | QTY (MT) | Value | QTY (MT) | Value |
| Propylene Oxide | 444 | 512.03 | 347 | 375.62 |
| Propylene Glycol | 11,791 | 7,659.68 | 10,021 | 7,118.94 |
| Polyols | 11,914 | 10,400.10 | 12,272 | 11,179.65 |
| Isocyanates | 1,141 | 1,347.49 | 902 | 1,261.71 |
| Others | | 933.74 | | 873.68 |
| Total | | 20,853.04 | | 20,806.60 |

FINANCIAL RESULTS

(Rs. in lakhs)

| DESCRIPTION | 2001 - 2002 | 2000 - 2001 |
|---|-------------|-------------|
| Profit before interest and depreciation | 1,510.28 | 1,053.35 |
| Interest | 660.75 | 756.76 |
| Depreciation | 1,038.29 | 1,021.26 |
| Miscellaneous expenses written off | 418.14 | 281.09 |
| Net Profit / (Loss) before tax | (604.90) | (1,005.76) |

PLANT PERFORMANCE

The overall performance of the Company has improved when compared to the last financial year. The sale of finished products of all the major products, Propylene Glycol and the speciality products meant for automotive sector etc., have registered satisfactory improvements.

During the financial year Chennai City faced acute water shortage during the months of May to September 2001, when supply of process water to the industries was severely restricted. In spite of the constraints posed by the shortage, alternate arrangements were made, use of treated waste water was resorted to, and the production was maintained at optimum levels. This incidentally helped us to bring down the inventory level of the finished products.

The plants achieved an overall capacity utilization of 81%, 78% and 77% respectively for PO, PG and Polyol plants, which are marginally lower than what was achieved in the last financial year.

The selling prices, which started dropping towards end of the previous financial year, continued to fall steeply when the year began. Severe dumping was noticed in the case of Flexible Slab Stock Polyol and the Company had no other alternative but to invoke provisions, as provided in the Anti dumping duty regulations. Anti dumping duty Directorate under Ministry of Commerce recommended levy of Anti dumping duty during the month of December 2001 and this

became effective on 11th February 2002. As per the G.O and Customs Notification, the landed cost of products from USA, Singapore, Europe and Japan shall be equivalent of US \$ 1804, as per the exchange rate prevailed on 11th February 2002. This provisional duty will be confirmed within 6 months after the necessary public hearing and further investigations, as provided in the law. The Company has made the necessary submissions and levy of final duty is awaited.

In spite of the drastic fall in prices of Flexible Slab Stock Polyol and because of the improved sales performance of the other products, the Company maintained the same turnover, as achieved in the last year. After providing for depreciation of Rs.1,038.29 lakhs, the Company recorded a net loss of Rs.604.90 lakhs.

Consistent with the accounting policy stipulated with regard to the out-of-court settlement reached with a major raw material supplier a sum of Rs.112.90 lakhs representing unabsorbed claims is treated as deferred revenue expenditure, as explained in the Note No.13 of "Notes on Accounts".

The Auditors remarks vide para 2(f)(ii) of their "Report on Accounts" is with regard to the above and the enduring benefits the Company derived as a result of the out-of-court settlement forms the basis of the accounting treatment adopted in this regard. This has been the policy adopted last year also. The balance unabsorbed amount is expected to be fully absorbed during the next financial year.

Auditors have also remarked on the non-provision of the debts to the tune of Rs.247 lakhs vide para 2(f)(i) of their "Report on Accounts". This amount is due from one of the dealers of erstwhile UB Petroproducts Ltd and the matter is subjudice now. The Company is hopeful of recovering the same, as explained in Note No.7 of "Notes on Accounts".

In view of the unabsorbed losses, your Directors regret their inability to recommend any dividend for the year.

MARKET SCENARIO

Unprecedented circumstances prevailed in the Company's market during the period under report. Dumping of Flexible Slab Stock Polyol at extremely low prices, continuing fall in Glycol prices and global recessionary trends, were contributory factors which prevented the Company from achieving better results. The Company also had to match the depressed prices and soft credit terms offered by the multinational players. All these developments adversely affected the profitability of the Company.

The white-goods market of the country did not register a positive growth and this added to our woes, as the system grade of products for these applications registered a negative trend. However, uptrend in the two and four wheelers markets came to the rescue of the Company and we have registered a much improved performance in this area. As



explained last year, our market share continue to increase in this segment and it is expected that performance will improve further in the ensuing financial year also.

FUTURE OUTLOOK AND NEW PRODUCTS

The sale of Propylene Glycol Mono Methyl Ether (PGMME) doubled during the financial year under review and it is expected to continue to improve in the current financial year also.

The in-house R&D, which is recognized by the Department of Scientific and Industrial Research Centre, Government of India, continued its good work and developed speciality Glycols, which are used in the oil industry. Sale of these products are expected to improve in the current financial year.

OPPORTUNITIES AND THREATS

As briefly explained last year, the product portfolio of the Company is dominated by Propylene Glycol and Flexible Slab Stock Polyol, which are commodity products and highly price sensitive. Large plants recently commissioned in the Asian Region and some more expected in the coming financial years, pose a threat to the Company in view of their favourable raw material pricing and scale of production. Precautionary measures are taken on continued basis to cut down the cost of production, to ensure favourable pricing and retain the market share.

RISKS AND CONCERNS

Even though the provisional Anti-dumping Duty is in place and the final duty is expected shortly, Polyol is being brought from other countries, which do not find mention in the notification. Due to this, the selling prices continue to be at low levels.

Depending primarily on a single source for major raw materials is a production risk against which the Company is taking adequate measures. Diversification of the Company's product portfolio from commodity products to increased range of specialised products is another measure of reducing marketing risks.

Custom duty is slated to come down in steps of 5% to Asian levels in the next couple of years. This reduction in selling price of our end products is expected to be adequately compensated by the falling raw material prices and the depreciation in value of Indian Rupee. Hence, your Company is now confident that gradual reduction as planned now, may not pose challenges as it did earlier.

ISO-9001-2000

M/s Det Norske Veritas (DNV) have re-certified the Company as the ISO-9001-2000, which is a revised and upgraded standards.

ENVIRONMENT AND SAFETY

As reported in the last year, the Company has completed the activities for certification under ISO-14000 Environmental Standards. The certification audit is expected by September 2002.

The Company participated in the Green Belt Development Programme in the Manali area and also planted 1250 trees

in the last couple of financial years. This has added substantially to the greenery in the neighbourhood and we are continuing our efforts.

CONSERVATION OF ENERGY

During the financial year, several heat recovery schemes and utilization of waste water were implemented, which not only saved scarce resources but also effectively helped the Company to reduce the operating cost.

As required under Section 217(1)(e) of the Companies Act, 1956, read with Rule-2 of the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, information on conservation of energy, technology absorption, foreign exchange earnings and outgo, is given in the Annexure forming part of this report.

ERP

Your Company has successfully implemented SAP based ERP package and the system has gone "Live".

FIXED DEPOSITS

The Company has not accepted any deposits from the public during the year.

INDUSTRIAL RELATIONS

Human Resource, the most productive asset, is given its rightful place in the Company's Scheme of things. Industrial Relations in the Company are cordial. A Voluntary Retirement Scheme has been implemented by your Company during the period under review. The number of employees as on 31.3.2002 was 470.

PARTICULARS OF EMPLOYEES

Statement giving particulars of employees as required by Section 217(2A) of the Companies Act, 1956, read with The Companies (Particulars of Employees) Rules 1975, as amended, is not required to be annexed to this Report, as no employee is coming under the purview of this Section of the Companies Act, 1956 during the period under review.

DIRECTORS

In terms of Section 256 of the Companies Act, 1956 and Article 103 of the Articles of Association of the Company, Mr. M Sivagnanam, Mr. S S Sivaprakasa and Mr. M H Avadhani, Directors, are retiring by rotation at this Annual General Meeting and being eligible, offer themselves for re-appointment.

Mr. R Subramaniam, Director and Chairman of the Audit Committee passed away on 20th March 2002. Mr. R. Subramaniam made valuable contributions for the development of the Company. He was also a source of inspiration and guidance to the Company.

Your Directors wish to place on record the valuable services rendered by Mr. R. Subramaniam during his tenure as Director and Chairman of the Audit Committee of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed :



- (i) that in the preparation of the annual accounts for the financial year ended 31st March 2002, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that were 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 the year under review;
- (iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors had prepared the accounts for the financial year ended 31st March, 2002 on a 'going concern' basis.

CORPORATE GOVERNANCE

The Company has complied with the requirements regarding Corporate Governance as required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges, where the Company's shares are listed. A Report on the Corporate Governance in this regard is made a part of this Annual Report and a Certificate from the Auditors of the Company regarding compliance of the conditions of the Corporate Governance is attached to this report.

COMPULSORY DEMATERIALISATION OF SHARES

As announced by SEBI vide its Circular Ref. No.SMDRP / POLICY / CIR-9 / 2000, dt. 16.2.2000, the shares of the Company are traded compulsorily in dematerialised form by all investors with effect from 8.5.2000.

LISTING OF EQUITY SHARES

The Company's equity shares continue to be listed on the Madras Stock Exchange Ltd, The Stock Exchange, Mumbai,

The Calcutta Stock Exchange Association Limited and National Stock Exchange Limited, Mumbai.

COST AUDIT

The Government of India has ordered the Company to conduct audit of cost accounts in respect of 'Chemicals' manufactured by the Company and accorded approval for appointment of M/s. S. Gopalan & Associates, Cost Accountants, appointed by the Company in this regard pursuant to Section 233B of the Companies Act, 1956, to conduct cost audit for the year 2001-2002.

AUDITORS

M/s. S R Batliboi & Co., Chartered Accountants, retiring Auditors have informed the Company that they do not propose to offer themselves as Statutory Auditors of the Company at the forthcoming Annual General Meeting of the Company.

M/s. Fraser & Ross, Chartered Accountants, have expressed their consent for their appointment as Statutory Auditors for the financial year 2002 - 2003 and have confirmed that the appointment, if made, will be in accordance with the limits specified under Section 224 (1B) of the Companies Act, 1956.

ADEQUACY OF INTERNAL CONTROLS

Your Company has installed adequate internal control systems in combination with the delegation of powers. The control systems are also supported by internal audits and management reviews with documented policies and procedures.

ACKNOWLEDGEMENT

Your Directors express their grateful thanks for the assistance, co-operation and support extended to the Company by the Government of India, the Government of Tamilnadu, TIDCO, SPIC, the Promoter, the Financial Institutions and the Consortium of Banks. The Directors also wish to thank the shareholders for their continued support and place on record their appreciation of the consistent good work put in by all cadres of employees.

For and on behalf of the Board

Place : Chennai - 600 032.
Date : July 27, 2002

Dr. A.C. MUTHIAH
CHAIRMAN

ANNEXURE TO DIRECTORS' REPORT

Conservation of Energy, Technology absorption and Foreign Exchange Earnings and Outgo as required under Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 for the year ended 31st March 2002.

A CONSERVATION OF ENERGY

a) Energy conservation measures taken :

- Better operational management of the instrument air and the cooling water system.
- Better operational management and down sizing of the chilled water circulation system in Plant-II.
- Redesign saponifier bottom spent water pumping system in Plant-II.
- Chilled water distribution system was redesigned to effect energy savings in Plant-II.

b) Additional investments and proposals, if any being implemented for reduction of consumption of energy :

- Interconnect the nitrogen network and water network of Plant-I and Plant-II through cross-country pipeline to optimize the consumption.
- Recover the heat of reaction at the polyol reactor of Plant-II.

c) Impact of the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of products :

- The total saving is expected to be in the order of Rs.60 lakhs per annum.

**FORM - A**

(See Rule - 2)

| | Year ended 31.3.2002 | Year ended 31.3.2001 |
|---|-------------------------|-------------------------|
| (A) Power and Fuel Consumption | | |
| 1. Electricity | | |
| a) Purchased | | |
| Units | 2,50,23,608 | 2,56,46,751 |
| Amount (Rs.) (i.e., cost paid to TNEB) | 10,72,42,061/- | 10,93,75,399/- |
| Rate per unit (Rs.) | 4.29 | 4.26 |
| b) Own generation | | |
| 1. Through diesel generator (Units) | 6,43,277 | 4,60,966 |
| Unit per litre of diesel | 3.37 | 3.43 |
| Cost per unit (Rs.) | 5.27 | 4.72 |
| 2. Through steam turbine | Nil | Nil |
| 2. Coal | Nil | Nil |
| 3. Furnace Oil | | |
| Quantity (in KL) | 12,274 | 12,070 |
| Amount (Rs.) | 10,00,39,933/- | 11,18,10,621/- |
| Average rate (Rs./KL) | 8,151 | 9,264 |
| 4. Others / internal generation | Nil | Nil |
| (B) Consumption per unit of production with standards (if any) | | |
| Products (in MT) | 28,278 | 27,324 |
| Electricity in units | 908 | 955 |
| Furnace oil in Kilo Litres | 0.434 | 0.441 |
| Coal | Nil | Nil |
| Others | Nil | Nil |

(Refer Page No.28 for the Graphs)

FORM-B

(SEE RULE 2)

B. TECHNOLOGY ABSORPTION**I. Research and Development (R&D)**

1. Specific areas in which R&D carried out by the Company.
 - Development of surfactants for oil exploration.
 - Formulation with other blowing agents like HCFC 134A.
2. Benefits derived as a result of above R&D :
 - Imports substitution
3. Future Plan of Action :
 - Diversify into other Glycols for surfactants industry.
4. Expenditure on R & D :
 - (a) Capital : Nil
 - (b) Recurring : Rs.69.74 lakhs
 - (c) Total : Rs.69.74 lakhs
 - (d) Total R&D expenditure as a percentage of total turnover - 0.33%

II. Technology Absorption, Adaptation and Innovation :

1. Efforts, in brief, made towards technology absorption, adaptation and innovation :
Technology has already been fully absorbed.
2. Benefit derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.
Indigenous chemicals have been substituted thus reducing the cost of production. By development of CFC free formulations, we continue to retain our market share, thus avoiding imports into the country.



3. In case of imported technology (imported during the last five years reckoned from the beginning of the financial year) following information may be furnished.

a) Technology imported :

Design and drawing have been imported for fabrication of equipment and the process know-how has been successfully absorbed.

PO / PG

: Process know-how from M/s ATOCHEM of France (For Plant-I)

: Process know-how from M/s MONTEPIPE of Italy (For Plant-II)

POLYOLS

: Process know-how from M/s ARCO of USA (For Plant-I)

: Process know-how from M/s PRESSINDUSTRIA of Switzerland (For Plant-II)

b) Year of Import

: 1988 & 1989

c) Has technology been fully absorbed

: yes.

d) If not fully absorbed, areas where this has not taken place, reasons therefor and further plans of action

: does not apply

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

a) Efforts: Further possibilities of exporting the products are being explored.

(Rs. in lakhs)

b) i) Foreign Exchange Earnings – exports sales (FOB)

2.77

ii) Foreign Exchange Outgo (on cash basis)

2,093.82

REPORT ON CORPORATE GOVERNANCE

1. MANALI PETROCHEMICAL LIMITED'S PHILOSOPHY ON CODE OF GOVERNANCE :

The Securities and Exchange Board of India has introduced a Code of Corporate Governance for implementation by Companies listed with Stock Exchanges. The Board of Directors of your Company strongly supports the principles of corporate governance. Further the Board lays emphasis on transparency, accountability and integrity in all its operations and dealings with outsiders. Your Company had adopted some of the best practices in corporate governance much before the Code was formulated. The following are the detailed practices on Corporate Governance in your Company :

2. BOARD OF DIRECTORS

(a) Composition of the Board : (for the financial year 2001-2002)

| Director | No. of Meetings attended | * No. of outside Directorship held | Total No. of Membership / Chairmanship of Committees across all Companies | |
|--|--------------------------|------------------------------------|---|----------|
| | | | Member | Chairman |
| Dr. A C Muthiah | 6 | 9 | - | - |
| Mr. M H Avadhani ** | 6 | 1 | 1 | - |
| Mr. C V R Panikar ** | 3 | 3 | 3 | 1 |
| Mr G Raghavendran ** | 3 | - | 1 | - |
| Mr. M Sivagnanam ** | 6 | 1 | 1 | - |
| Mr. S S Sivaprakasa ** | 6 | 3 | 2 | - |
| Dr. P L Sanjeev Reddy (w.e.f. from 26.4.2001) ** | 6 | 3 | 4 | - |
| Mr. T Willington (w.e.f. 19.6.2001) | 4 | 12 | 5 | - |
| Mr. D Arunachalam (w.e.f. 24.7.2001) | 4 | 4 | 4 | - |
| Mr. G Ramachandran | 6 | 2 | 1 | - |
| Mr. K K Rajagopalan | 6 | 1 | - | - |
| Dr. Easo John (Upto 17.4.2001) ** | - | 3 | - | - |
| Mr. S Ramjee (Upto 26.4.2001) ** | - | 1 | - | - |
| Mr. Chittaranjan Dua (upto 24.7.2001) ** | - | 8 | - | - |
| Mr. R Subramaniam (upto 20.3.2002) ** | 4 | - | 1 | 1 |

* (Excluding alternate directorship and directorship in private limited companies and foreign companies)

** Non-Executive and Independent Director.