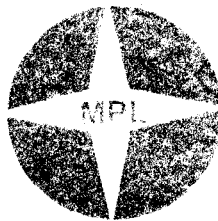


20th ANNUAL REPORT

2005 - 2006



Manali Petrochemical Ltd

BOARD OF DIRECTORS

Dr. A. C. MUTHIAH	Chairman
Ar Rm ARUN	Director
M.H. AVADHANI	Director
C. V. R. PANIKAR	Director
G. RAGHAVENDRAN	Director
M. SIVAGNANAM	Director
T. WILLINGTON	Director
(Nominee of TIDCO)	
G. RAMACHANDRAN	Managing Director
K. K. RAJAGOPALAN	Director (Finance)

AUDIT COMMITTEE

M. SIVAGNANAM	Chairman
Ar Rm ARUN	Director
M. H. AVADHANI	Director
C.V.R. PANIKAR	Director
G. RAGHAVENDRAN	Director
T. WILLINGTON	Director
(Nominee of TIDCO)	
(w.e.f. 19.10.2005)	

COMPANY SECRETARY

S. DIRAVIAM

AUDITORS

M/s. Fraser & Ross, 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 & 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 : 25941025, 25941249, 25941253

Fax : 25941199

Email: it@manalipetro.com

PLANT - II

Sathangadu Village,

Manali, Chennai - 600 068.

Phone : 25941698, 25941402

SECRETARIAL DEPARTMENT

Ponneri High Road, Manali, Chennai - 600 068.

Phone : 25943895 (Direct)

Email : diraviam@manalipetro.com

DEPOSITORY

National Securities Depository Ltd (NSDL)

Central Depository Services (India) Limited (CDSL)

SHARES LISTED WITH

1. Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 001.
2. National Stock Exchange of India Ltd
Exchange Plaza,
Bandra - Kurla Complex,
Bandra (East), Mumbai - 400 051.
3. The Calcutta Stock Exchange Association Ltd
No.7, Lyons Range, Kolkata - 700 001.

REGISTRARS AND SHARE TRANSFER AGENT

M/s. Cameo Corporate Services Limited

"Subramanian Building"

No.1, Club House Road, Chennai - 600 002.

Phone : 28460390 - 394 Fax: 28460129

Email : cameosys@satyam.net.in



NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 20th Annual General Meeting of the Members of Manali Petrochemical Ltd will be held at Rajah Annamalai Mandram, Esplanade, (Near High Court) Chennai – 600 108, on Saturday the 19th August, 2006 at 10.35 A.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 2006 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in the place of Mr C V R Panikar, who retires by rotation and being eligible offers himself for re-election.
4. To appoint a Director in the place of Mr K K Rajagopalan, 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 an ORDINARY RESOLUTION:

“RESOLVED THAT pursuant to Sec.224 of the Companies Act, 1956, M/s Deloitte Haskins & Sells, Chennai be and are hereby appointed as Statutory Auditors of the Company in the place of M/s Fraser & Ross, 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.”

SPECIAL BUSINESS

- 6 To consider and, if thought fit, to pass, with or without modification, the following resolution which will be proposed as an Ordinary Resolution.

RESOLVED

- (a) that in accordance with the provisions of Sections 13, 16 and 94 and other applicable provisions, if any, of the Companies Act, 1956 or any amendment or re-enactment thereof and the enabling provisions of the Articles of Association of the Company and subject to such approvals, consents, permissions and sanctions, if any, required from any authority, the existing Equity Shares of the face value of Rs 10/- (Rupees Ten) each in the Authorised Share Capital of the Company be sub-divided such that each Equity Share of the face value of Rs.10/- each (Rupees Ten) is sub-divided into 2 (Two) Equity Shares of the face value of Rs.5/- each (Rupees Five) with effect from the 'Record Date' to be determined by the Board of Directors of the Company ('the Board' which term shall be deemed to include any Committee thereof) for the purpose;
- (b) that pursuant to the sub-division of the Authorised Equity Shares of the Company, the issued, subscribed and Paid-up Equity Shares of the face value of Rs.7.50

(Rupees Seven and paise fifty only) each, as existing on the Record Date, shall stand sub-divided into equity shares of the face value of Rs.5/- (Rupees Five) each fully paid-up with effect from the Record Date.

- (c) that the issued Ordinary Shares of the Company as are held by Members in certificate form be cancelled and in lieu thereof fresh share certificates be issued for the sub-divided Equity Shares in accordance with the provisions of the Companies (Issue of Share Certificates) Rules, 1960 and where Members hold Equity Shares (or opt to receive the sub-divided Equity Shares) in dematerialised form, the sub-divided Equity Shares in lieu thereof be credited to the respective beneficiary accounts of the Members with their respective Depository Participants;
- d) that in re-structuring the present fully paid-up equity capital of Rs.7.50 to fully paid-up equity capital of Rs.5/- each, the Board shall not issue fractional certificates but the total number of the equity shares representing such fractions shall be transferred to a person or persons appointed by the Board to act as trustee / trustees for and on behalf of the equity shareholders, who would have been entitled to fractional certificates if such certificates would have been issued the Company shall furnish the trustees with full details of the persons entitled for fractional shares so as to enable the trustees to distribute the sale proceeds to the persons entitled for the same and such sales be completed within 60 days, the shares vesting with the trust, unless the Board expressly extends the said period and after payment of all expenses of the sale, to distribute the net proceeds of such sale amongst the members / shareholders in proportion to their respective fractional entitlements thereto.
- e) that for the purpose of giving effect to this Resolution, the Board be and is hereby authorised to do all such acts/deeds, matters and things and give such directions as may be necessary or expedient including forming of Trust to buy & sell fractional / odd lot of shares transferred to it and to settle any question, difficulty or doubt that may arise in this regard as the Board in its absolute discretion may deem necessary or desirable and its decision shall be final and binding.
7. To consider and, if thought fit, to pass, with or without modification, the following resolution which will be proposed as an Ordinary Resolution.

RESOLVED that the Clause V of the Memorandum of the Association of the Company be amended as follows by deleting the existing Clause V.

The Authorised Share Capital of the Company is Rs.120,00,00,000/- (Rupees One hundred and twenty



crores only) divided into 24,00,00,000 (Twenty four Crores) Equity Shares of Rs.5/- each with the rights, privileges and conditions attaching thereto, as are provided by the Articles of Association of the Company for the time being, with power to increase its share capital by such amounts as it thinks expedient by issuing new shares and to divide the shares in the capital for the time being into several classes, and to attach thereto respectively such preferential, qualified or special rights, privileges, or conditions as may be determined by or in accordance with the Articles of Association of the Company for the time being, and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may be permitted by the Companies Act, 1956 or provided by the Articles of Association for the time being of the Company.

8. **To consider and, if thought fit, to pass, with or without modification, the following resolution which will be proposed as a SPECIAL Resolution**
RESOLVED that pursuant to Sec.31 of the Companies Act 1956 the Articles of Association of the Company be amended by the deletion of the existing Article 4 and by substitution thereof the following with effect from the Record Date to be determined by the Board of Directors of the Company (which term shall include any Committee thereof) for the purpose of sub-division of Equity Shares:

Article 4

The Authorised Share Capital of the Company is Rs.120,00,00,000 (Rupees One hundred and twenty crores only) divided into 24,00,00,000 (Twenty four crores) Equity Shares of Rs.5/- each.

Registered Office :
SPIC HOUSE
88 Mount Road
Guindy,
Chennai - 600 032.
Date : 29th May, 2006.

By Order of the Board

S DIRAVIAM
Company Secretary

Report Junction.com

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. 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.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from 10.8.06 to 19.8.06. (both days inclusive).

5. 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.
6. Relevant explanatory statement of material facts pursuant to Section 173 (2) of the Companies Act, 1956 in respect of items no.6,7 and 8 of the notice is annexed hereto.
7. M/s Fraser & Ross, Chartered Accountants, Chennai, 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. The Company has received a Notice from a member recommending the appointment of M/s Deloitte Haskins & Sells, Chennai as Statutory Auditors in the place of M/s Fraser & Ross.

M/s Deloitte Haskins & Sells, Chennai have expressed their consent for the appointment as Statutory Auditors for the financial year 2006-07 and have confirmed that the appointment, if made, will be in accordance with the limits specified under Sec.224(1B) of the Companies Act, 1956.



ANNEXURE TO NOTICE
EXPLANATORY STATEMENT FOR ITEM NO.6,7,& 8
(Pursuant to Section 173(2) of the Companies Act,1956)

The existing Authorised Share Capital of the Company is Rs.120,00,00,000/- divided into 12,00,00,000 equity shares of the face value of Rs 10/- each. The present issued, subscribed and paid-up share capital of the Company is Rs.85,99,96,147.50 divided into 11,46,66,153 equity shares of the face value of Rs.7.50 each fully paid.

The face value of the paid-up capital has been reduced to Rs.7.50 consequent upon the Order of the Hon'ble High Court of Madras under Section 100 of the Companies Act, 1956.

As per SEBI guidelines the Denomination of the Equity Shares should not be in decimal of a rupee.

In order to comply with the requirement of SEBI, it is proposed to re-organise the Authorized Share Capital as well as the issued, Subscribed and Paid-up Share Capital of the Company by sub-dividing the Equity Shares of the face value of Rs.10/- each into Equity Shares of the face value of Rs.5/- each.

Accordingly, the Authorised Share Capital of the Company will be Rs.120,00,00,000/- sub-divided into 24,00,00,000 (Twenty four crores) equity shares of Rs.5/- each.

The Issued, Subscribed and Paid-up Share Capital, as existing on the Record Date for the purpose of sub-division of Equity Shares, will also be sub-divided into Equity Shares of the face value of Rs.5/- each fully paid up with effect from the Record Date.

Accordingly, every two equity shares of fully paid up value of Rs.7.50 each would be consolidated and then subdivided into 3 equity shares of fully paid up value of Rs.5/- each.

In the case of members having shares in odd numbers (not divisible by two) if fractional shares will be transferred to a Trust, which will be formed by the Board for this purpose. All the fractional shares will get transferred to the Trust on the record date. The Trust will consolidate the fractional shares transferred to it and will sell the total shares. The proceeds of the total shares will be paid to the respective shareholders.

The proposed sub-division of the equity shares into shares of smaller denomination, as aforesaid, would facilitate easy accessibility to the Company's equity shares by investors and enhance the liquidity of the Company's Shares on the Stock Exchanges.

The consent of the Members is being sought in accordance with the provisions of Sections 13, 16, 31 and 94 of the Companies Act, 1956.

A copy of the existing Memorandum and Articles of Association of the Company will be available for inspection by the Members at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on working days upto the date of the Annual General Meeting.

The Directors of your company are interested in this Resolution to the extent of their respective shareholdings in the Company.

The Board of Directors of your company recommends this Resolution for your approval.

Registered Office :
SPIC HOUSE
88 Mount Road
Guindy,
Chennai - 600 032.
Date : 29th May, 2006.

By Order of the Board

S DIRAVIAM
Company Secretary

**Brief Resume of the Directors seeking re-appointment in the
20th Annual General Meeting to be held on 19th August, 2006**

1. **Mr. C V R Panikar, IAS (Retd.)** was appointed as a Director on the Board effective 3.2.1988. He was the Chairman of the Tamilnadu Industrial Development Corporation Limited (TIDCO) for several years and was instrumental in promoting well known and successful joint venture industries in Tamilnadu. He has varied experience in the Government of Tamilnadu, Government of India and abroad.
2. **Mr. K K Rajagopalan** was appointed as a Whole Time Director in charge of Finance of the Company for a

period of 5 years effective 20.4.2000. He was re-appointed as Director(Finance) for the period from 20.04.2005 to 30.09.2008. The same was approved by the Company in its Annual General Meeting held on 10.09.2005. Mr. K K Rajagopalan is an engineering graduate with post graduation in Management from Indian Institute of Management, Bangalore, with specialisation in Finance. He served as Executive Director (Finance) in M/s. SPIC Ltd., before joining MPL. He carries with him about 33 years experience in the industry.



REPORT OF THE DIRECTORS AND MANAGEMENT DISCUSSION & ANALYSIS.

To

The Shareholders

The Directors have pleasure in presenting their 20th Annual Report on the business and operations of your company and the Audited Statement of Accounts for the year ended 31st March 2006.

FINANCIAL RESULTS

(Rs in Lakhs)

DESCRIPTION	2005-06	2004-05
Profit before interest and depreciation	4665.23	3775.99
Interest	(5.65)	228.43
Depreciation	1028.85	1026.39
Profit before Tax	3642.03	2521.17
Provision for taxation	238.23	181.16
Profit After Tax	3403.80	2340.01

Continuing the positive trend, your company has further improved its performance during the year and the profit after tax has risen from Rs.23.40 Crores to Rs.34.03 Crores this year. The trend of the profits and sales turnover for the past few years are summarized in the graph in Page No : 30.

OPERATIONAL HIGHLIGHTS

Your company maintained the trend of higher production and sales and the capacity utilization were maintained close to 100% for all the process plants. Our achievements in reduction of power and utility consumption are as per the graphs in Page No : 8.

This year also, utilizing the better market conditions, better selling prices, your company increased its sales volume and thus the capacity utilization of all the plants, which resulted in the improved performance for the year. The turnover increased from Rs.307 Crores to Rs.378 Crores and the profit after tax increased from Rs.23.40 Crores to Rs.34.03 Crores.

The process of capital reduction after approval of members was taken at the Extraordinary General Meeting on 19th October 2005 has been completed and the necessary orders from the Hon'ble High Court of Madras were obtained on 15th March 2006 and the carried over losses have been fully wiped out. Thus, your company has retained all the profits of Rs.34.03 Crores in the current year.

DIVIDEND

Your Directors have great pleasure in recommending a maiden dividend of Rs.0.75 per share on the issued and paid-up equity share capital of the Company, aggregating to Rs.8.60 crores.

MARKET SCENARIO

The tight supply situation and higher price scenario of both MDI and TDI continued during the current year also. This posed problems in the marketing of the polyol formulations, which to an extent was partly overcome by reformulation of the product and sourcing isocyanate as per the availability. This definitely helped the company to stabilize the sales. However, the product mix got skewed resulting out of the above scenario.

The company could secure further orders for the specialty products in the system segment including glycols for oil exploration and production.

FUTURE OUTLOOK AND NEW PRODUCTS

The use of polyurethanes in India is continuously increasing and markets in most of the segments are growing steadily. It is estimated that the market will double by itself within the next 4 to 5 years. Hence, your company can reasonably be sure that it will be able to maintain its operational performance at current levels and at the same time, the company's focus to increase production and maintain its market share of the enlarged market, will continue.

The newer product of prepolymers developed to overcome the shortage of MDI has done exceedingly well and it is estimated that this would be of tremendous help to the company in future, whenever such shortages threaten operations.

OPPORTUNITIES AND THREATS

Customs duty on end product has been further lowered marginally approaching levels prevalent in the Asean Region and your company is capable of reacting and adapting to such reforms measure. Increase in demand for various grades of polyol and propylene glycol is a definite opportunity for your company.

While admitting that the large plants producing similar products, commissioned in the recent past and being planned now are a potential threat, the general global increase in consumption of the products produced by the company match the increase in availability and hence it is estimated that over the next few years, this threat may not affect the operations of your company significantly.

RISKS AND CONCERNS

Chennai Petroleum Corporation Ltd., (CPCL) was able to meet the increased requirement of propylene comfortably and still have enough propylene to support further improvement in operation. However, their intended foray into propylene based petrochemicals is of great concern. Supply of propylene from other refineries and import through Ennore Port are expected to act as additional sources should any gap arise in future.



ENVIRONMENT AND SAFETY

Your company was recertified during June 2005 for both ISO-9001 and ISO-14001. Periodic biannual Surveillance Audits are also being conducted by the certified body. The last Surveillance Audit was done on 9th March 2006 and the next audit is due in September 2006.

CONSERVATION OF ENERGY

As required under Sec.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, are as per Annexure forming part of this report.

FIXED DEPOSITS

Your company has not accepted any deposits from the public during the year under report.

INDUSTRIAL RELATIONS

Your company maintains a fairly good relationship with both staff and officers. Your company has programmes of imparting adequate training, retraining and deploying its skilled manpower in the core areas of operation. For non-critical areas, the services of the machinery suppliers themselves are utilised. As of 31.03.2006, your company has 340 employees on its rolls and fresh engineers and technical staff are being added regularly through the training programme to fill up the vacancies created by the resignations.

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 the 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, the following Directors viz., Mr. C.V.R. Panikar and Mr. K.K. Rajagopalan, Director (Finance) are retiring by rotation at this Annual General Meeting and being eligible, offer themselves for re-appointment.

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 2006, 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, 2006 on a 'going concern' basis.

CORPORATE GOVERNANCE

Your Company has complied with the requirements regarding Corporate Governance as required under Revised 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 your Company regarding compliance of the conditions of the Corporate Governance is attached to this report.

COMPULSORY DEMAT

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. 46.41% of shares of your company have been demated compared to 36.77% last year.

LISTING OF EQUITY SHARES

Your Company's equity shares continued to be listed on the Bombay Stock Exchange Limited, The Calcutta Stock Exchange Association Ltd and National Stock Exchange Ltd., Mumbai, during the year under report.

Your Company has initiated necessary action to delist its equity shares from the Calcutta Stock Exchange Association Ltd., pursuant to the resolution passed at the Annual General Meeting held on 25.9.2004 and the same is still under consideration by them. The equity shares of your Company will continue to be listed on National Stock Exchange Ltd., and the Bombay Stock Exchange Limited, which are having nationwide trade terminals.

REDUCTION OF SHARE CAPITAL

Pursuant to the Special Resolution passed by the Shareholders in their Extraordinary General Meeting held on 19.10.2005, for Reduction of Share Capital, a petition was filed in the Hon'ble High Court of Madras for seeking their approval for the above proposal, and the Hon'ble High Court of Madras granted their approval vide their order dated 15.03.2006. The copy of the order was filed with Registrar of Companies, Chennai and the Certificate of Registration of



the order was obtained on 24.03.2006. The reduced capital approved by the court order is reflected in the Balance Sheet of the Company.

Since, SEBI / Stock Exchanges require the face value of equity shares to be a whole number, your company is initiating actions to consolidate and split the existing equity share to alter the face value from Rs.7.50 to Rs.5/-per share. This item has been included in the Notice convening the 20th Annual General Meeting as a Special Business, for your approval. Once this is approved, the number of equity shares of the Company will increase by 50% to 17,19,99,230/- from the earlier figure of 11,46,66,153, while the paid-up equity capital of the Company will be Rs.85,99,96,150/-.

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 2005-2006.

AUDITORS

M/s Fraser & Ross, Chartered Accountants, Chennai, 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.

Place : Chennai
Date : 29th May, 2006.

The Company has received a Notice from a member recommending the appointment of M/s Deloitte Haskins & Sells, Chennai as Statutory Auditors in the place of M/s Fraser & Ross.

M/s Deloitte Haskins & Sells, Chennai have expressed their consent for the appointment as Statutory Auditors for the financial year 2006-07 and have confirmed that the appointment, if made, will be in accordance with the limits specified under Sec.224(1B) of the Companies Act, 1956.

ADEQUACY OF INTERNAL CONTROLS

Your company has installed adequate internal control systems in combination with delegation of powers. The control system is 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, UTI and other Financial Institutions and the Consortium of Banks. The Directors wish to thank particularly the shareholders for their continued and patient support. The Directors also place on record their appreciation of the consistent good work put in by all cadres of employees, resulting in considerable improvements in the company's performance during the year under report.

For and on behalf of the Board

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 2006.

A) CONSERVATION OF ENERGY

a) Energy conservation measures taken :

- ♦ Implementation of chlorine vapourizer system in Plant-II to save steam utilizing the heat from cooling water.
- ♦ Conversion of steam jet vacuum system to save cooling water and steam at Plant-II.
- ♦ Recover and reuse glycol bearing condensate at Plant-II.

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

- ♦ Implement heat recovery system in polyol reactor of Plant-II.
- ♦ Conversion of steam vacuum ejectors to vacuum pumps for Plant-I and II to save electrical energy and cooling water (under erection).
- ♦ Recover and reuse the glycol bearing condensate from the propylene glycol plant.

- ♦ Heat recovery system at the polyol plant of Plant-II.
- ♦ Conversion of steam jet vacuum system for the neutralizers at polyol plant of Plant-II.
- ♦ Conversion of steam jet vacuum system at Plant-I.
- c) Impact of the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :
 - ♦ Impact of water and energy conservation measures at (a) for reduction of energy and water consumption and consequent impact on the cost of production of goods to be in the order of Rs.50 Lakhs per annum.
 - ♦ The saving envisaged by implementing the energy conservation measures as at (b) for reduction of energy and consequent impact on the cost of production of goods to be in the order of Rs.40 Lakhs per annum.



FORM - A
(See Rule-2)

	Year Ended 31.03.2006	Year Ended 31.03.2005
(A) Power and Fuel Consumption		
1. ELECTRICITY		
a) Purchased		
Units	27087110	26243426
Amount (Rs) (i.e.cost paid to TNEB)	11,59,69,726	11,33,39,678
Rate per Unit (Rs.)	4.28	4.32
b) Own Generation		
1. Through Diesel Generator (Units)	115157	94617
Unit per litre of Diesel	3.25	3.36
Cost per Unit (Rs.)	8.69	7.25
2. Through Steam Turbine	Nil	Nil
2. Coal	Nil	Nil
3. Furnace Oil (Qty in KL)	13109	12109
Amount (Rs.)	18,78,48,600/-	13,18,72,641/-
Average Rate (Rs./KL)	14,329/-	10,890/-
4. Others / Internal Generation	Nil	Nil
(B) Consumption per unit of production with standards (if any)		
Products (In MT)	40,667	35,763
Electricity in Units	669	736
Furnace Oil in KL	0.322	0.339
Coal	Nil	Nil
Others	Nil	Nil

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.

- ▲ Indigenization of currently imported expensive PU additives.
- ▲ Speciality glycols for oil fields.
- ▲ Reformulation of the products to work with other isocyanates due to shortage of MDI.

2. Benefits derived as a result of above R&D :

- ▲ Import substitution.
- ▲ Reduction in operation cost.
- ▲ Effective utilization of by-product.
- ▲ Improved sales
- ▲ Waste minimization

3. Future Plan of Action :

- ▲ Develop the prepolymer based PU systems for cold cure and rigid applications.
- ▲ Continue to focus on Glycols for oil fields.
- ▲ Further improvement of the PU system for soft and low resilient applications.

4. Expenditure on R & D :

- (a) Capital : Rs.18.14 Lakhs
- (b) Recurring : Rs.50.53 Lakhs
- (c) Total : Rs.68.67 Lakhs
- (d) Total R&D expenditure as a percentage of total turnover – 0.18%.

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.

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 MONTEDIPE 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.

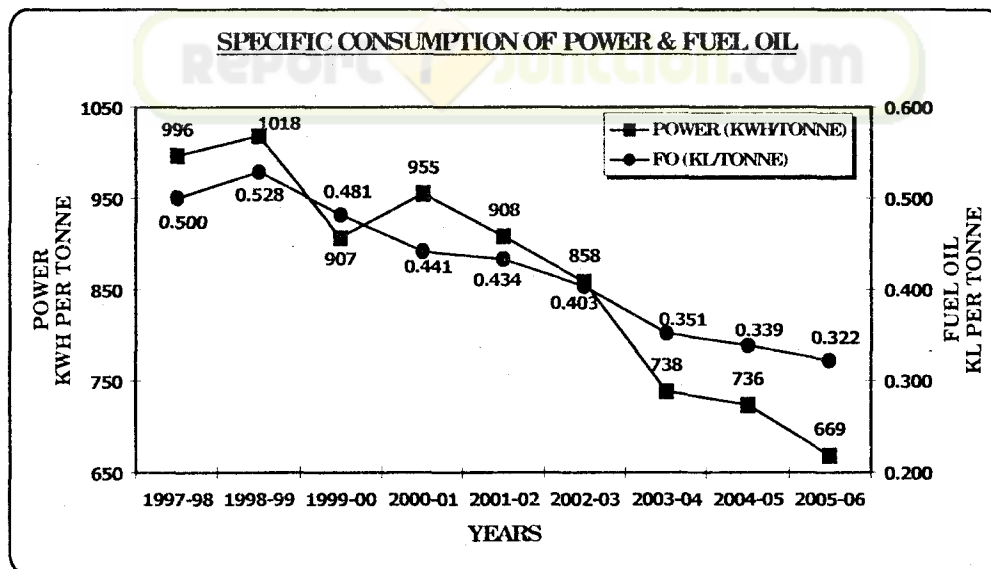
(Rs. in lakhs)

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

408.37

- .. ii) Foreign Exchange outgo (on cash basis)

4808.74



DECLARATION

To

The Members of the Manali Petrochemical Ltd.

This is to declare that the Code of Conduct envisaged by the Company for Members of the Board and Senior Management Personnel have been complied with by all the members of the Board and Senior Management Personnel of the Company respectively.

Place : Chennai

Date : 25th April, 2006.

G. RAMACHANDRAN
MANAGING DIRECTOR