

22nd ANNUAL REPORT

2007 - 2008

Report  junction.com



Manali Petrochemical Ltd

BOARD OF DIRECTORS
(As on 15th July, 2008)

| | |
|---------------------------------------|--------------------|
| Dr.A.C. MUTHIAH | Chairman |
| ASHWIN C MUTHIAH | Director |
| BABU K VERGHESE | Director |
| G. RAGHAVENDRAN | Director |
| M. SIVAGNANAM | Director |
| B. VISWABARATHY (Nominee of TIDCO) | Director |
| G. RAMACHANDRAN | Managing Director |
| K. K. RAJAGOPALAN | Director (Finance) |

AUDIT COMMITTEE

| | |
|---------------------------------------|----------|
| M. SIVAGNANAM | Chairman |
| G. RAGHAVENDRAN | Director |
| B. VISWABARATHY (Nominee of TIDCO) | Director |

COMPANY SECRETARY

G.S. LAKSHMI NARASIMHAN

AUDITORS

M/s Deloitte Haskins & Sells, 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 : companysecretary@manalipetro.com

DEPOSITORY

National Securities Depository Ltd (NSDL)

Central Depository Services (India) Ltd (CDSL)

SHARES LISTED WITH

1. Bombay Stock Exchange Ltd
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

Confirmation of De-listing awaited from
The Calcutta Stock Exchange Association Ltd
No.7, Lyons Range, Kolkata - 700 001

REGISTRARS AND SHARE TRANSFER AGENTS

M/s Cameo Corporate Services Limited

"Subramanian Building"

No.1, Club House Road, Chennai 600 002

Phone : 28460390 - 394 & 28460718

Fax : 28460129

Email : cameosys@satyam.net.in



NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 22nd 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 20th September 2008 at 10.35 AM to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March 2008 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. M.Sivagnanam, 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 Section 224 of the Companies Act, 1956, M/s. Deloitte Haskins and Sells, Chartered Accountants, Chennai, the retiring Auditors, be and are hereby re-appointed as Statutory 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 Resolution as an ORDINARY RESOLUTION:
"RESOLVED THAT Mr. Babu K. Verghese whose period of office shall be liable to determination by retirement of Directors by rotation, be and is hereby appointed a Director of the Company."
7. To consider and, if thought fit, to pass, with or without modification, the following as an ORDINARY RESOLUTION:
"RESOLVED THAT Mr. B. Viswabarathy whose period of office shall be liable to determination by retirement of

Directors by rotation, be and is hereby appointed a Director of the Company."

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

"RESOLVED THAT pursuant to Article 146 of the Articles of Association of the Company and the provisions of Section 198, 269, 309, 314 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications and / or re-enactments of the Companies Act and / or any notification which the Central Government may issue from time to time) and subject to the approval of the Central Government, if necessary, and such other approvals as may be required and such alteration / modification, if any, that may be effected by the above mentioned bodies in that behalf, approval of the members be and is hereby accorded for the re-appointment of Mr. K.K. Rajagopalan, Whole Time Director in charge of Finance of the Company for the period from 01.10.2008 to 30.09.2010 as per current terms and conditions of remuneration and as set out in the Explanatory Statement annexed hereto.

"RESOLVED FURTHER THAT in the event of any statutory amendment or relaxation to Schedule XIII or any provisions of Companies Act and to Income Tax Act, Income Tax Rules or issue of any notification under the aforesaid Acts / Rules, the Board of Directors, upon recommendations of the remuneration committee be and is hereby authorised to alter and vary the terms and conditions of appointment and increase the remuneration and to sign / execute necessary agreement, deeds, etc. and to take all such steps, deeds, matters and things as may be considered necessary on behalf of the Company to give effect to the above resolution.

Minimum Remuneration

In the event of loss, absence or inadequacy of profits, the remuneration aforesaid shall be the minimum remuneration. Any excess over the limits prescribed under the Companies Act, 1956 shall become payable with the approval of the Central Government, wherever so required."

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 the 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 the 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 10.09.2008 to 20.09.2008 (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. To avoid postal delays, misplacement and fraudulent encashment of the dividend warrants, the company is extending remittance of dividend through Electronic Clearing Service (ECS) facility. Members who wish to avail this facility are requested to use the form for this purpose which is available on the company's website "www.manalipetro.com" and send the same to our Registrar, M/s. Cameo Corporate Services Limited, Chennai.
7. Relevant explanatory statement of material facts pursuant to Section 173(2) of the Companies Act, 1956 in respect of item nos.6 to 8 of the notice is annexed hereto.

Date : 15.07.2008

Registered Office:

SPIC HOUSE

88 Mount Road,

Guindy,

Chennai - 600 032.

By Order of the Board

For **MANALI PETROCHEMICAL LTD.,**

G S LAKSHMI NARASIMHAN

COMPANY SECRETARY

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT FOR ITEM NOS.6,7 & 8

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

Item No.6

Mr. Babu K. Verghese was appointed as an additional Director of the Company by the Board of Directors at the meeting held on 28th January 2008 in terms of Section 260 of the Companies Act, 1956 read with Article 97 of the Articles of Association of the Company with effect from 29.10.2007. Mr. Babu K. Verghese holds office upto the date of this Annual General Meeting. The Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956, along with a deposit of Rs.500/- as required under that Section, signifying his intention to propose the appointment of Mr. Babu K. Verghese as a Director of the Company, liable to retirement by rotation.

The Board commends the election of Mr. Babu K. Verghese as Director of the company for the approval of Members.

Memorandum of Interest:

None of the Directors are interested in the resolution except Mr. Babu K. Verghese.

Item No.7

Mr. B. Viswabarathy was appointed as an additional Director of the Company by the Board of Directors at the meeting held on 15th July 2008 in terms of Section 260 of the Companies Act, 1956 read with Article 97 of the Articles of Association of the Company with effect from 11.07.2007. Mr. B. Viswabarathy holds office upto the date of this Annual General Meeting. The Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956, along with a deposit of Rs.500/- as required under that Section, signifying his intention

to propose the appointment of Mr. B. Viswabarathy as a Director of the Company, liable to retirement by rotation.

The Board commends the election of Mr. B. Viswabarathy as Director of the company for the approval of Members.

Memorandum of Interest:

None of the Directors are interested in the resolution except Mr. B. Viswabarathy.

Item No.8

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. Southern Petrochemical Industries Corporation Ltd., before joining the company. He carries with him about 35 years of experience in the industry. He is also a Director in the following companies, namely, M/s. Indital Chemicals Ltd, M/s. Chip Test Labs Limited, M/s. Brainwave Biosolutions Ltd, & M/s. Trinity Auto Points Ltd.

Mr. K.K. Rajagopalan was appointed as a Whole Time Director incharge of Finance of the Company for a period of 5 years with effect from 20.04.2000. 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. The members in the AGM held on 01.09.2007 approved his current remuneration package, which is valid till his tenure up to 30.09.2008

The remuneration committee which was constituted by the Board of Directors in their meeting held on 17.04.2008 recommended



to the Board, the continuation of the services of Mr.K.K.Rajagopalan, Director (Finance) for a further period of 2 years, which was also approved by the Board in the meeting held on 17.04.2008. The terms & conditions will continue to remain the same, as approved by the members in the last AGM held on 01.09.2007 :-

- (1) Salary of Rs.80,000/- per month.
- (2) Performance Linked Pay of Rs.8.00 lakhs per annum.
- (3) Allowance & Perquisites shall be allowed in addition to both salary and performance linked pay. However, it shall be restricted to an amount equal to Rs.14.40 lakhs per annum.

For the purpose of calculating the above ceiling, perquisites will be evaluated as per Income Tax Rules, wherever applicable. In the absence of any such rule, perquisites shall be evaluated at actual cost.

Allowances and Perquisites shall also include:

(a) Provident Fund

Contribution to Provident Fund will be 12% of the salary.

(b) Superannuation Fund

Contribution to Superannuation Fund will be 15% of the salary.

(c) Gratuity

Gratuity payable shall not exceed one-half month's salary for each completed year of service.

However, the Board of Directors will have the liberty to re-fix individual ceilings under each of the above heads or to allow any other perquisites so as not to exceed the limit of Rs.14.40 lakhs per annum.

Other Payments and Provisions, which shall not be included in the computation of the ceiling on remuneration for the above revision in pay are :

- a) Encashment of Leave

Date : 15.07.2008
Registered Office:
SPIC HOUSE
88 Mount Road,
Guindy,
Chennai - 600 032.

As per Rules of the Company.

b) Car

Provision of Company's car with driver for business and personal use.

c) Telephone

Provision of telephone at residence.

d) Reimbursement of Expenses

i) Entertainment Expenses

Reimbursement of entertainment expenses actually incurred for the business of the Company subject to a reasonable ceiling as may be fixed from time to time by the Board.

ii) Travelling Expenses

Reimbursement of travelling expenses actually incurred for the business of the Company subject to a reasonable ceiling as may be fixed from time to time by the Board.

In the event of loss, absence or inadequacy of profits, in any financial year during the currency of tenure of Mr. K K Rajagopalan, Director (Finance), the remuneration aforesaid shall be the minimum remuneration payable to him.

However, any excess over the limits on minimum remuneration prescribed under the Companies Act, 1956 read with Schedule XIII to the Companies Act, 1956 shall be payable to Mr.K.K.Rajagopalan with the approval of the Government of India, if so required.

The Board commends the resolution for the approval of members.

Memorandum of Interest

Mr.K.K.Rajagopalan, Director (Finance) is holding 1650 Equity Shares of the Company.

He is interested in the resolution to the extent of remuneration payable to him. None of the other Directors of the company is interested in the above resolution.

By Order of the Board
For **MANALI PETROCHEMICAL LTD.,**

G S LAKSHMI NARASIMHAN
COMPANY SECRETARY



**Brief Resume of the Directors seeking election / re-appointment in the
22nd Annual General Meeting.**

1. **Mr. M. Sivagnanam** was appointed as a Director 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 Construction 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 in 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.

Mr. M. Sivagnanam does not hold any equity shares of the Company.

2. **Mr. Babu K. Verghese** was appointed as an Additional Director on the Board effective 29.10.2007. Mr. Babu K. Verghese holds a B.Tech degree in chemical engineering and has more than 40 years of industrial experience. Formerly, he was Managing Director of M/s. Southern

Petrochemical Industries Corporation Ltd and also deputy Chairman of Indo-Jordon Chemicals Ltd, Amman. He is currently Director in First Leasing Company of India Ltd, Matsu Enterprises Pvt Ltd, & K'Chira International Pvt Ltd.

Mr. Babu K. Verghese holds 300 equity shares of the company.

3. **Mr. B. Viswabarathy** was appointed as an Additional Director by the Board on 15.07.2008 with effect from 11.07.2008. He is the Senior General Manager (Finance) of Tamilnadu Industrial Development Corporation Limited (TIDCO), Chennai. Mr. B. Viswabarathy holds a Bachelor Degree in Commerce and is an Associate member of the Institute of Chartered Accountants of India. Mr. B. Viswabarathy is also a nominee Director in DCM Hyundai Limited.

Mr. B. Viswabarathy does not hold any equity shares of the Company.

4. **Mr. K.K. Rajagopalan** - Please refer item no. 8 under explanatory statement in pages 2 & 3.

DECLARATION

To

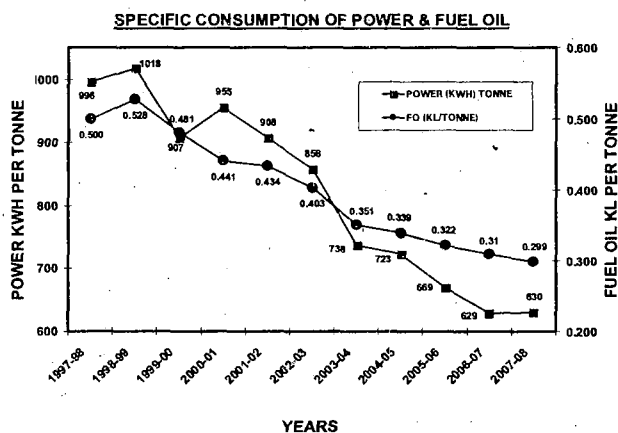
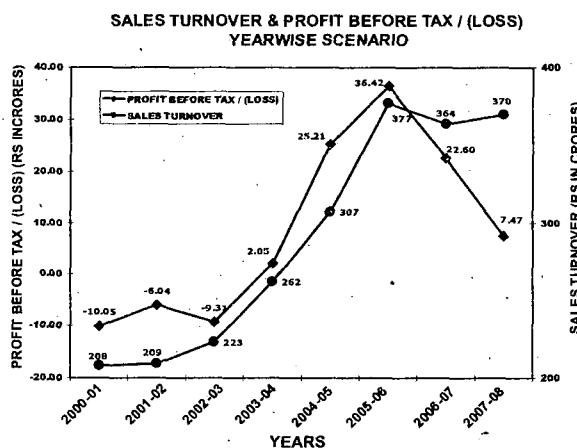
The Members of the Manali Petrochemical Ltd

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 : 17th April, 2008

G. RAMACHANDRAN
MANAGING DIRECTOR





REPORT OF THE DIRECTORS AND MANAGEMENT DISCUSSION & ANALYSIS

To

The Shareholders

The Directors present their 22nd Annual Report on the business and operations of your company and the Audited Statement of Accounts for the year ended 31st March 2008.

FINANCIAL RESULTS

(Rs in Crores)

| DESCRIPTION | 2007-08 | 2006-07 |
|-----------------------------------------|---------|---------|
| Profit Before Interest and Depreciation | 17.43 | 31.61 |
| Interest | (0.04) | (1.31) |
| Depreciation | 10.00 | 10.32 |
| Profit Before Tax | 7.47 | 22.60 |
| Provision for Taxation | 1.46 | 7.61 |
| Profit After Tax | 6.01 | 14.99 |
| Cash Profit | 16.85 | 30.76 |

During the year, your company achieved a profit before tax of Rs.7.47 Crores and a profit after tax of Rs.6.01 Crores. During the financial year the quantum of production and sales increased by 2% and 4%. However, the increase in turnover was only Rs.5 Crores due to steep fall in selling prices of the product. Selling prices are a function of the customs duty and the dollar to rupee parity, which determine the landed cost of competing imported products. The customs duty was reduced during March 2007 by 5% and the rupee also appreciated sharply by 11% around the beginning of the financial year and thus these factors had a significant effect on the selling prices of the product, which reduced the turnover, even though the quantum of production and sales have gone up. Similarly, the significant increase in cost of petroleum inputs without any corresponding increase in the selling prices of our end products, resulted in a decreased profit. The trend of the profits and sales turnover for the past few years are summarized in the graph depicted in Page No : 4.

OPERATIONAL HIGHLIGHTS

Production and sales further improved during the year with more than 100% capacity utilization as per the trend set over the last five years. Higher production levels helped the company to offset the adverse impact of lower selling prices of finished products and increase in raw material and fuel oil prices. Due to improved market conditions, your company improved the sales matching with the improved production.

Due to the improved production and various energy & cost saving measures implemented over the years, the specific consumption of power, fuel oil and fresh water have been brought down considerably. But for this effort, cost of production would have been far higher. Continuous efforts are being done to improve further. The details of specific consumption of power & fuel oil are depicted in Page No : 4.

DIVIDEND

Your Directors have great pleasure in recommending a 10% dividend on the issued and paid-up equity share capital of the Company, aggregating Rs.8.60 crores.

MARKET SCENARIO

Sale of propylene glycol registered a new record of 17502 MT for the year 2007-08 and a 7% increase over the sales achieved in the previous year, which was at 16359 MT. The polyol sales however

encountered difficulties due to continued supply restrictions of Toluene Di-Isocyanate, the complimenting raw material required in the production of PU foam. The flexible moulded market improved with MDI based system. The new multinational system houses have started offering products at very competitive prices and your company is also aggressively marketing the cold cure systems. This situation also opened up avenues for sale of base polyol to these system houses.

The sale of rigid polyols has further improved with several new panel manufacturers sourcing the product from the company.

FUTURE OUTLOOK AND NEW PRODUCTS

The usage of polyurethanes in India is growing at more than 12% and with India becoming a hub for automotive products, your company is confident of not only maintaining but also to improve the operational performance.

OPPORTUNITIES AND THREATS

Customs duties are already at very low levels and the Indian rupee has also appreciated by more than 11%. Your company has withstood the above challenges successfully. The positive market conditions and the possibility of improving prices provide a great opportunity to your company to expand the capacity and supply polyol to the new system houses that have started production in India. The restrictions posed by the limited availability of TDI is a growing concern and can be tackled only with increased production from the indigenous manufacturer.

RISKS AND CONCERNS

Chennai Petroleum Corporation Ltd (CPCL) as a single supplier of propylene is a risk and the chemical terminal at Ennore would probably help your company to manage any unforeseen outages of the propylene plant to maintain continuous supply of products to the customers.

The continuously appreciating rupee is a great concern and further appreciation would definitely hamper the profitability of the company significantly, as the selling price of the end products is a direct function of the rupee dollar parity. Most of the multinational companies are maintaining tank terminals in Singapore from where products are sold in dollar terms to India and the effect of any duty reductions or appreciation of the Indian rupee has to be encountered immediately, keeping in mind the very short transportation time between Singapore and Indian Ports. The rising inland transportation cost in India through road and frequent disturbances of traffic due to various reasons are also matters of growing concern.

ENVIRONMENT AND SAFETY

Your company was re-certified during June 2005 for both ISO-9001 and ISO-14001. Continuous periodic and bi-annual Surveillance Audits are being conducted. The last Surveillance Audit was done on 26th March 2008 and the next audit will be a Re-certification Audit to be conducted by end of August 2008.

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 continues to recruit Engineering / Diploma graduates under the training scheme and after the required training, inducts them into the permanent services of the company to fill up the vacancies created by migration of manpower to IT sector and also to petrochemicals sector in the middle east / western India. For non-critical areas, as is already being done, services of the machinery suppliers themselves are utilized. As of 31st March 2008, your company had 346 number of employees on its roll including the fresh engineers and technicians recruited recently.

PARTICULARS OF EMPLOYEES

A statement concerning employees as required by Section 217(2A) of the Companies Act, 1956 is attached to this report.

DIRECTORS

Tamilnadu Industrial Development Corporation (TIDCO) nominated Mr.S.Susai, their Chief General Manager and Company Secretary as a Director on the Board of your company under Section 260 of the Companies Act, 1956 with effect from 4th October 2007 in place of Mr.T.Willington. Again on 11th July 2008, TIDCO nominated Mr. B.Viswabarathy their Senior General Manager (Finance) in place of Mr. S.Susai.

Mr.C.V.R.Panikar, Mr. Ar Rm Arun and Mr. M.H.Avadhani Directors resigned from the Board with effect from 19th September 2007, 20th March 2008 and 17th April 2008 respectively due to personal reasons. Mr. Babu K. Verghese was inducted by the Board as an Additional Director under Section 260 of the Companies Act, 1956 with effect from 29th October 2007.

The Board wishes to place on record the valuable services rendered by Mr.T.Willington, Mr. C.V.R. Panikar, Mr. Ar Rm Arun, Mr. M.H. Avadhani and Mr. S. Susai during their tenure as Directors 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 Mar. 2008, 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 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 Mar. 2008 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.

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. 49.96% of shares of your company have been dematted compared to 48.48% previous year.

LISTING OF EQUITY SHARES

Your Company's equity shares continued to be listed on The Stock Exchange, Mumbai 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.

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 2007-2008.

AUDITORS

Your Company's statutory Auditors M/s. Deloitte Haskins & Sells, Chartered Accountants, Chennai, retire at the conclusion of this Annual General meeting and are eligible for re-appointment.

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 and the Consortium of Banks. The Directors wish to thank particularly the shareholders for their continued support.

The Directors also place on record their appreciation of the consistent good work put in by all cadres of employees.

For and on behalf of the Board

DR.A.C.MUTHIAH
CHAIRMAN

Place : Chennai
Date : 15th July, 2008



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 2008.

A) CONSERVATION OF ENERGY

a) Energy conservation measure taken :-

- ✦ Implement an in-house technology for treatment of Polyol has been installed at Plant-I.
- ✦ Installation of structured packing in PG evaporator columns at Plant-I.
- ✦ New Cooling tower replacing the old tower at Plant-II.

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

- ✦ Revamping the PG Plant at Plant-II.
- ✦ Biomass Based Cogeneration Power Project.

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 energy conservation and productivity improvement measures at (a) on the cost of production of the goods to be in the order of Rs.60 lakhs per annum.
- ✦ The savings 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.500 Lakhs per annum.

FORM - A (See Rule-2)

| | Year Ended 31.03.2008 | Year Ended 31.03.2007 |
|-----------------------------------------------------------------------|--------------------------|--------------------------|
| (A) Power and Fuel Consumption | | |
| 1. ELECTRICITY | | |
| a) Purchased | | |
| Units | 26644029 | 26014880 |
| Amount (Rs) (i.e.cost paid to TNEB) | 11,40,82,697 | 11,23,17,310 |
| Rate per Unit (Rs.) | 4.28 | 4.32 |
| b) Own Generation | | |
| 1. Through Diesel Generator (Units) | 263075 | 54178 |
| Unit per litre of Diesel | 3.33 | 3.21 |
| Cost per Unit (Rs.) | 9.91 | 9.86 |
| 2. Through Steam Turbine | Nil | Nil |
| 2. Coal | Nil | Nil |
| 3. Furnace Oil (Qty in KL) | 12816 | 12876 |
| Amount (Rs.) | 22,95,34,034 | 20,39,34,556 |
| Average Rate (Rs./KL) | 17,910 | 15,838 |
| 4. Others / Internal Generation | Nil | Nil |
| (B) Consumption per unit of production with standards (if any) | | |
| Products (In MT) | 42,827 | 41,420 |
| Electricity in Units | 628 | 629 |
| Furnace Oil in KL | 0.299 | 0.310 |
| Coal | Nil | Nil |
| Others | Nil | Nil |

FORM-B (See Rule 2)

B. TECHNOLOGY ABSORPTION

1. Research and Development (R&D)

1. Specific areas in which R&D carried out by the company :

- ▲ Development of alternate processes for treatment of Polyols.
- ▲ Improved formulations for speciality Glycols for oil fields.
- ▲ Reduction of Batch Reaction times for Polyols.

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

- ▲ Increased Production of Polyols.
- ▲ Reduction in operation cost.
- ▲ Improved sales.
- ▲ Waste minimization.

3. Future Plan of Action :

- ▲ Develop the prepolymer based PU systems for Integral Skin applications.

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