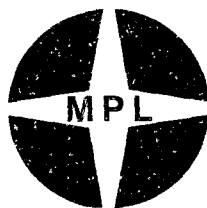


ANNUAL REPORT

2008 – 2009

Report  Junction.com



Manali Petrochemical Ltd

**BOARD OF DIRECTORS**

(As on 6th May 2009)

ASHWIN C. MUTHIAH	Chairman
BABU K VERGHESE	Director
G.RAGHAVENDRAN	Director
M.SIVAGNANAM	Director
N. SURYANARAYANAN	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,
ASV N Ramana Tower, 52, Venkatnarayana Road,
T.Nagar, Chennai - 600 017.

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 AGENT

M/s Cameo Corporate Services Limited

"Subramanian Building"

No.1, Club House Road, Chennai 600 002

Phone : 28460390 - 394 & 28460718

Fax : 28460129

E mail : investor@cameoindia.com



NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 23rd 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 Thursday the 17th September 2009 at 10.00 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 2009 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.G.Raghavendran, who retires by rotation and being eligible offers himself for re-election.
4. To appoint a Director in the place of Mr.M.Sivagnanam 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 modifications, the following Resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT Mr.Ashwin C Muthiah appointed as a Director of the Company in the Annual General Meeting held on 1st September 2007 will not be liable for retirement by rotation"

7. To consider and if thought fit, to pass, with or without modification, the following Resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT Mr.N.Suryanarayanan whose period of office shall be liable to determination by retirement of Directors

by rotation, be and is hereby appointed as 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 G. Ramachandran, Managing Director of the Company for the period from 01.09.2009 to 31.08.2012 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 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 10.09.2009 to 17.09.2009 (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. National Electronic Clearing Service (NECS) has been operationalised by RBI wef Oct. 2008 enhancing the coverage given by ECS so far. NECS leverages on Core Banking Solution of member banks for centralised posting of NECS transactions. Through NECS you as our shareholder can receive dividend credits through electronic mode even if you are not in a ECS location. We encourage you to update detail required for NECS with your DP.
8. 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 : 06.05.2009

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

The members in the 21st Annual General Meeting held on 1st September 2007 had approved the appointment of Mr.Ashwin C Muthiah and his office was liable to determination by retirement of Directors by rotation. In the Board meeting held on 24th February 2009 Mr.Ashwin C Muthiah was appointed as Chairman subsequent to the resignation of Dr.A.C. Muthiah. Hence, members are requested to approve the Chairman's office as non-rotational. The Board recommends this resolution and none of the directors except Mr. Ashwin C Muthiah are interested in the above resolution.

Item No.7

Mr.N.Suryanarayanan was appointed as an Additional Director of the Company by the Board of Directors at the meeting held on 6th May 2009 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 06.05.2009. Mr.N.Suryanarayanan holds office up to 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.N.Suryanarayanan as a Director of the Company, liable to retirement by rotation.

The Board commends the election of Mr. N. Suryanarayanan as Director of the company for the approval of members. None of the directors except Mr. N. Suryanarayanan are interested in the above resolution.

Item No.8

Mr. G. Ramachandran is a Chemical Engineer with a post graduate degree in Business Administration and possesses over 35 years of Industrial experience in Fertilizers and Petrochemical Industries. He worked for SPIC for 16 years before joining MPL. He has rich experience in designing, operating and commissioning of large fertilizer and petrochemical plants.

Mr. G.Ramachandran was Managing Director for the period from 27.10.2000 to 26.10.2005 and was re-appointed for the period from 27.10.2005 to 31.08.2009 and the same was approved by the members in the Annual General Meeting held on 10th September 2005. The members in the Annual General Meeting held on 01.09.2007 approved his current remuneration package which is valid till his tenure up to 31st August 2009.

The Remuneration committee in their meeting held on 6th May 2009 recommended to the Board the continuation of the services of Mr. G. Ramachandran, Managing Director for a further period of three years which was also approved by the Board in the meeting held on 6th May 2009. The terms and conditions will continue to remain the same as approved by the members in the Annual General Meeting held on 01.09.2007.

The terms and conditions of remuneration to Mr. G. Ramachandran, Managing Director of the Company are as follows :-

- 1) Salary of Rs. 90,000/- per month.
- 2) Performance Linked Pay of Rs.10.00 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.16.20 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 perquisite so as not to exceed the limit of Rs.16.20 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:

(i) Encashment of Leave

As per rules of the Company.

(ii) Car

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

(iii) Telephone

Provision of telephone at residence.

(iv) Reimbursement of Expenses

a) 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.

b) 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.G.Ramachandran, Managing Director, 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.G.Ramachandran 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.G.Ramachandran, Managing Director is holding 1725 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 are interested in the above resolution.

Date : 06.05.2009

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



Brief Resume of the Directors seeking election / re-appointment in the 23rd Annual General Meeting.

1. **Mr. G. Raghavendran** was appointed as Director on the Board effective 26.10.1992. He was formerly Managing Director of the Company. He is a Chemical Engineer with more than 50 years of industrial experience. He has a long and varied experience in petroleum and petrochemical industries. He served as General Manager in Chennai Petroleum Corporation Limited, a public sector undertaking, prior to becoming the Chief Executive of MPL.

Mr.G.Raghavendran holds 4725 equity shares of the Company.

2. **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.

3. **Mr.N.Suryanarayanan** was appointed as a Director on the Board effective 6th May 2009. He is the Chief Financial Officer of M/s.Southern Petrochemical Industries Corporation Limited. He holds a Bachelor Degree in Commerce and he is an Associate Member of the Institute of Chartered Accountants of India. He carries with him rich experience and knowledge in the areas of accounts and finance gained over the years from renowned companies like Hindustan Lever Limited (now Hindustan Unilever Limited), Tata Telecom and Lucas-TVS. Prior to joining SPIC he was associated with SRF Limited as Vice President Corporate Finance. He is also a Director in M/s.Indo Jordon Chemicals Company Limited & Technip India Limited.

Mr. N. Suryanarayanan does not hold any equity shares of the Company.

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

DECLARATION

To

The Members of the Manali Petrochemical Ltd.

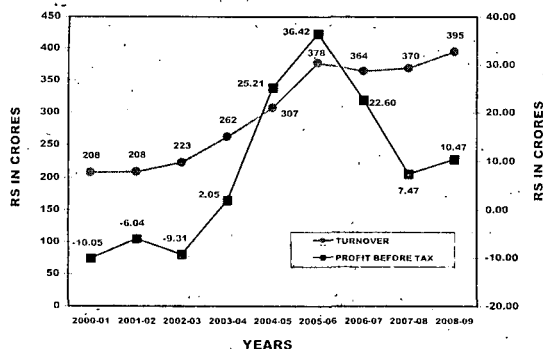
This is to declare that the Code of Conduct envisaged by the Company for Members of the Board and Senior management Personnel have been complied with by all the members of the Board and Senior management Personnel of the Company respectively.

Place : Chennai

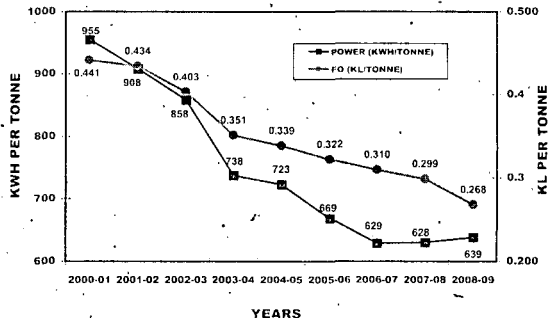
Date : 6th May 2009

G. RAMACHANDRAN
MANAGING DIRECTOR

SALES TURNOVER & PROFIT BEFORE TAX / LOSS - YEARWISE SCENARIO



SPECIFIC CONSUMPTION OF POWER & FUEL OIL





REPORT OF THE DIRECTORS AND MANAGEMENT DISCUSSION & ANALYSIS

To

The Shareholders

The Directors present their 23rd Annual Report on the business and operations of your company and the Audited Statement of Accounts for the year ended 31st March 2009.

FINANCIAL RESULTS

(Rs in Crores)

DESCRIPTION	2008-09	2007-08
Profit Before Interest and Depreciation	18.77	17.43
Interest	0.55	(0.04)
Depreciation	7.75	10.00
Profit Before Tax	10.47	7.47
Provision for Taxation	3.44	1.46
Profit After Tax	7.03	6.01
Cash Profit	17.14	16.85

During the year, the Company achieved a profit before tax of Rs.10.47 Crores and a profit after tax of Rs.7.03 Crores. Despite abnormal fluctuations in crude oil prices and recessionary conditions, the Company managed to withstand the pressures to achieve the above net profit bettering the performance of the previous year. The depreciation of the Indian rupee and higher selling prices in the first half of the year despite a marginal decrease in quantum of sales contributed to a higher turnover. The second half of the year saw steep drop in prices and the company responded by dropping the selling prices in tune with the landed cost of imported products to maintain volume. The trend of the profits and sales turnover of the past few years are as per graph on Page 4.

OPERATIONAL HIGHLIGHTS

Your Company achieved a record annual production of both propylene oxide and polyol. Your company also recorded the highest ever sales turnover.

Capacity utilization was maintained above 100% as was done in the last few years which helped the company to record better profits in spite of the narrowing gap between the raw materials and selling prices. Since the company kept pace with the landed cost of imported products in spite of the fluctuations, the selling volumes remained healthy except for a dip during the middle of the year. The company continued its strict control on the specific consumption of raw materials and energy thereby improving the profitability.

The bio-mass fired 4.2MW co-generation captive power plant was successfully commissioned towards the end of the third quarter, after the trial runs and the operation of the facility at the right time helped offset the problems created by power consumption restrictions. The full benefits of the power plant would be derived in the next financial year.

DIVIDEND

Your Directors recommend a 5% dividend i.e. Rs. 0.25 for every equity share of Rs. 5/- each fully paidup, for the year 2008-09, aggregating to Rs. 4.30 crores.

MARKET SCENARIO

The year saw a slight decrease in the sales quantity of propylene glycol due to recessionary pressures and steep fall in selling prices. However, this situation helped the company in increasing the sales volume of the slab stock polyol as more customers resorted to indigenous buying. Though the total quantum of sales remained more or less static the turnover improved

to Rs.394.80 Crores compared to Rs.369.55 Crores of the previous year due to reasons explained earlier. In the system segment, selective targeting with lower prices by the multinational companies, resulted in lower turnover in certain areas but was offset by improved turnover in some other areas, maintaining the balance. We hope to optimize the various grades of system polyols in the ensuing year.

FUTURE OUTLOOK AND NEW PRODUCTS

Polyurethane Industries is the "limelight industry" and it continues to grow around 12%. More automobile companies have started production in India and this is expected to increase the demand. We are also introducing newer systems to meet their demands. The white goods sector is growing steadily in spite of the recessionary pressures. Hence it is felt that future outlook of this industry is encouraging. The company will grow along with the market growth.

OPPORTUNITIES AND THREATS

Duty levels are already very low and hence positive market conditions and good future outlook are the opportunities available to the company for improving its market share. At the same time, the recessionary trend in other parts of the world would also affect the Indian market through low priced dumping of products and general pessimism in the market.

RISKS AND CONCERNS

Chennai Petroleum Corporation Ltd (CPCL) is the single source of supply of propylene. This is a big risk. Any outages of the propylene recovery plant can upset the production of your company. However, the chemical terminal at Ennore would probably help your company to manage any unforeseen outages effectively and ensure continuous supply of products.

Time taken and the cost for inland transportation of products from Chennai to Western and Northern markets are becoming a concern. CIF prices of imported products to Chennai or any other part in India is virtually the same. The credit policy, low interest rates offered for credit period by multinational companies / their dealers in India are also points of concern in improving our market further.

ENVIRONMENT AND SAFETY

Your company was re-certified during August 2008 for both ISO-9001 and ISO-14001. Continuous periodic and bi-annual surveillance audits are being conducted. The last surveillance audit was done on 20th March 2009. The next surveillance audit is planned during July 2009.

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

As of 31st March 2009, your company had 354 employees on its rolls including engineers and technicians recruited recently through training programmes. The fresh engineers / diploma / graduate degree holders, after training will be inducted into permanent services of the company to fill up vacancies that arise due to resignations.



PARTICULARS OF EMPLOYEES

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

DIRECTORS

Dr.A.C.Muthiah, Chairman resigned from the Board with effect from 24th Feb 2009 due to personal reasons. Mr. Ashwin C. Muthiah was appointed as Chairman.

Mr.S.Susai, Director resigned from the Board with effect from 11th July 2008 and Mr.B.Viswabarathy, Senior General Manager (Finance) of TIDCO was nominated in his place with effect from 11.07.2008. Mr.M.H.Avadhani, Director resigned from the Board with effect from 17th April 2008.

The Board wishes to place on record the yeoman services rendered by Dr.A.C.Muthiah during his tenure as the Chairman of the company and the valuable services rendered by Mr.S.Susai and Mr.M.H.Avadhani during their respective 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 2009, 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 judgments 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, 2009 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. 50.44% of shares of your company have been dematted compared to 49.96% 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 2008-2009.

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 and patient 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

ASHWIN C MUTHIAH

CHAIRMAN

CHENNAI – 600 032

DATE : 6th May, 2009.

Statement showing the particulars of Employees of the Company as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Report of the Board of Directors for the year ended 31st March 2009

Name	Designation and Nature of Duties	Age	Qualification	Experience (Years)	Last Employment and post held	Date of Commencement of Employment	Gross Remuneration (Rs.)
G Ramachandran*	Managing Director	57	B.Tech., MBA	35	SPIC Ltd., Senior Manager	01.08.1989	38,27,240
K K Rajagopalan*	Director (Finance)	58	B.E., PGDM	36	SPIC Ltd., Executive Director (Finance)	20.04.2000	32,78,649

* Not a relative of any Director of the Company. The appointment is contractual.



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 2009.

A) CONSERVATION OF ENERGY

a) Energy conservation measure taken :-

- Revamping of Glycol distillation columns with structured packing has increased the capacity utilisation by about 25%, without substantial increase in consumption of energy.
- Installation of cooling tower in Effluent Treatment plant.
- Usage of alternate neutralising technology has resulted in reduction in cycle time, improved productivity and reduced energy consumption.
- Biomass Based Cogeneration power plant has been

commissioned.

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

- Revamping of Propylene Oxide plant at Plant-2
- Polyol Heat Recovery at plant-2

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.254 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.195 Lakhs per annum.

FORM - A (See Rule-2)

	Year Ended 31.03.2009	Year Ended 31.03.2008
(A) Power and Fuel Consumption		
1. ELECTRICITY		
a) Purchased		
Units	20164314	26644029
Amount (Rs) (i.e.cost paid to TNEB)	8,73,90,928	11,40,82,697
Rate per Unit (Rs.)	4.33	4.28
b) Own Generation		
1. Through Diesel Generator (Units)	3426622	263075
Unit per litre of Diesel	3.02	3.33
Cost per Unit (Rs.)	11.58	9.51
2. Through Steam Turbine (Units) (NET)	4336785	Nil
Units per MT of Wood, net of Cogeneration steam	430.49	Nil
Cost per Unit (Rs.)	5.76	Nil
2. Coal (Specify quality & where used)	Nil	Nil
3. Furnace Oil (Qty in KL)	11433	12816
Amount (Rs.)	26,74,40,236	22,95,34,034
Average Rate (Rs./KL)	23,391	17,910
4. Others / Internal Generation	Nil	Nil
Wood : Quantity (in MT)	10074	Nil
Amount (in Rs.)	2,49,65,340	Nil
Average Rate (Rs./MT)	2478	Nil
(B) Consumption per unit of production with standards (if any)		
Production (in MT)	42,731	42,827
Electricity in Units	639	628
Furnace Oil in KL	0.268	0.299
Coal	Nil	Nil
Others	0.236	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 :**

- Development of alternate processes for treatment of Polyols.
- Improved formulations for speciality glycols for oil fields.
- Reduction of Batch Reaction times for Polyols.
- Improved formulations for automotive seatings.
- Speciality polyol for improved mechanical properties of flexible automotive seatings.

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

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

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.:

- Use of indigenous chemicals
- Cost reduction
- Timely availability
- Increased production.
- Lesser wastes

3. In case of imported technology (imported during the last five years reckoned from the beginning of the financial year), the 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

POLYOLS

- : Process know-how from M/s ATOCHEM of France (For Plant-I)
- : Process know-how from M/s MONTEDIPE of Italy (For Plant-II)
- : 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: Activities relating to Exports, Initiatives to increase exports, Development of new export markets for products & services, export plants.

With the newer products developed, we are replacing imported products into the country by making available the import substitutes; thus the benefit is derived by the country by reduction in import of high value imported products. Our production capacity is lower than the country's consumption and hence any product produced and sold substituting an import is similar to a deemed export. Hence, the company does not make any special effort to find export markets.

Eventhough, our primary emphasis is on meeting the indigenous market, we had exported propylene glycol and some grades of polyol to Germany and Sri Lanka directly and on "Deemed Export" basis within the country to have an economic and strategic advantage.

(Rs. in lakhs)

- | | |
|---|-----------|
| b) i) Foreign Exchange Earnings – exports sales (FOB) | - 82.50 |
| ii) Foreign Exchange outgo (on cash basis) | - 5060.12 |