

# **ANNUAL REPORT**

**2009 – 2010**



**Manali Petrochemical Ltd**



## BOARD OF DIRECTORS

(As on 20th April 2010)

ASHWIN C. MUTHIAH	Chairman
T.K. ARUN (Nominee of TIDCO)	Director
BABU K VERGHESE	Director
G. RAGHAVENDRAN	Director
M. SIVAGNANAM	Director
N. SURYANARAYANAN	Director
G. RAMACHANDRAN	Managing Director
K.K. RAJAGOPALAN	Director (Finance)

## AUDIT COMMITTEE

M. SIVAGNANAM	Chairman
T.K. ARUN (Nominee of TIDCO)	Director
G. RAGHAVENDRAN	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 24th 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 Wednesday, the 22nd September, 2010 at 10.30 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 2010 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.K.K. Rajagopalan, who retires by rotation and being eligible offers himself for re-election.
4. To appoint a Director in the place of Mr.Babu K Verghese, 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 (having ICAI Registration Number 008072S), 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 T.K. Arun, 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”.
7. To consider and if thought fit, to pass, with or without modifications, the following Resolutions 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 01.10.2010 to 30.09.2011 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 15.09.2010 to 22.09.2010 (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](http://www.manalipetro.com) and send the same to our Registrar M/s Cameo Corporate Services Ltd, Chennai.
7. National Electronic Clearing Services (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 an ECS location. We encourage you to update the details 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&7 of the notice is annexed hereto.

Date : 20<sup>th</sup>, April 2010  
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**  
**(Pursuant to Section 173(2) of the Companies Act, 1956)**

**Item No.6**

Mr T.K. Arun, was appointed as an Additional Director of the Company by the Board of Directors at the meeting held on 28th October 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 07-10-2009. Mr. T.K.Arun 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 T.K.Arun as a Director of the Company, liable to retirement by rotation.

Mr T.K.Arun is the General Manager & Secretary of Tamil Nadu Industrial Development Corporation (TIDCO), Chennai. Mr T.K.Arun holds a Bachelor's Degree in Commerce and he is an Associate Member of the Institute of Company Secretaries of India. Mr T.K.Arun is also a Director in DLF Info Park (Chennai) Ltd., Ascends IT Park (Chennai) Ltd., Tamil Nadu Petroproducts Ltd., Tranflor Infra Structure Park Ltd., Sree Maruthi Marine Industries Ltd., Cheslind Textiles Ltd., Asian Bearings Ltd., Great Sea Trawler Building Yard Mandapam Limited & Southern Petrochemical Industries Corporation Ltd.,

The Board recommends the election of Mr T.K.Arun as a Director of the Company for the approval of Members.

Mr T.K.Arun is not holding any equity shares of the Company.

**Memorandum of Interest**

None of the Directors are interested in the resolution except Mr T.K.Arun.

**Item No.7**

1. 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 from 20.04.2000. He was reappointed 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 appointment of Mr K.K. Rajagopalan, Director (Finance), was renewed for a further period of 2 years, commencing from 01-10-2008 to 30-09-2010 and was approved by the Members in the AGM held on 20th September 2008.

The Remuneration Committee which met on 20th April 2010 decided to extend the services of Mr. K.K. Rajagopalan for a further period of one year commencing from 01-10-2010 to 30-09-

2011 at the existing remuneration package and duly approved by the Board in its meeting on 20th April, 2010. The salary package of Mr. K.K. Rajagopalan is given below:

- (1) Salary of Rs.80,000/- per month.
- (2) Performance Linked Pay of Rs.8.00 lakhs per annum.
- (3) Allowances & 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, 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 :

- 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
  - 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 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.

In this regard, as required under Part II, Section II of Schedule XIII to the Companies Act, 1956 the following information is furnished:

**I. GENERAL INFORMATION**

Nature of Industry : Chemical and Petrochemical (Manufacture and sale of Propylene Oxide, Propylene Glycol, Polyols etc.)

Date of commencement of commercial Production :

Propylene Oxide / Propylene Glycol

Plant I – Jul. 1990

Plant II – Aug. 1990

Polyol

Plant I – Dec.1990

Plant II – Sep. 1990

Financial Performance

The following are the results of the Company during the last five years, at a glance:

(Rs. In lakhs)

Financial Parameters	2005-06	2006-07	2007-08	2008-09	2009-10
Turnover (Gross)	37766.95	36433.52	36955.20	39479.94	41996.26
Net Profit after tax	3403.80	1499.05	600.94	703.18	2106.27
Amount of dividend paid	860	860	860	430	645 (Proposed)
Rate of dividend declared in %	10%	10%	10%	5%	7.50% (Proposed)

**Export performance, net foreign exchange earnings and collaborations:**

During 2009-10, the Company's foreign exchange earnings on account of exports on FOB basis was Rs.135.04 lakhs and expenditure in foreign currency was Rs.8091.22 lakhs inclusive of CIF value of imports.

**II. INFORMATION ABOUT THE APPOINTEE:**

Background details, recognition/awards:

Mr. K.K. Rajagopalan is an engineering graduate with post graduation in Management from Indian Institute of Management, Bangalore, with specialization 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 37 years of experience in the industry. He is also a Director in the following companies, namely M/s. Chiptest Labs Limited, M/s.Brainwave Biosolutions Ltd. & M/s.Trinity Auto Points Ltd.

Past Remuneration

Mr. K.K. Rajagopalan

(Rs in lakhs)

Period	Salary	Perquisites	Retirement Benefits	Total
2007-08	24.28	5.58	3.36	33.22
2008-09	24.28	5.58	2.93	32.79
2009-10	24.37	5.59	3.05	33.01

Job profile and suitability

Mr.K.K. Rajagopalan, as Director (Finance) is responsible for finance and accounts related functions. He is responsible for mobilization and utilisation of funds and accounting functions. With the requisite knowledge and experience as detailed in the background and considering the talents and skills acquired in the course of his career in handling corporate finance, it is considered that the appointee is suitable for the assignment.

Remuneration proposed to the Appointee

Details of remuneration payable to Mr. K.K. Rajagopalan is furnished in the resolution under Item No. 7 of the Notice.

Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t the country of his origin)

Taking into consideration (a) the size of the organization, (b) level of operation of the business unit, (c) the invaluable experience by the incumbent



(d) adverse business scenario faced by the Company in view of ever increasing oil prices and tight market situation, (e) efforts required to be put in by the incumbent to sustain the Company in profit making and (f) industrial norms on remuneration package to whole-time Directors in Chemical and Petrochemical Industries, it is considered that the remuneration package is very reasonable.

**Pecuniary relationship, directly or indirectly with the Company / relationship with Managerial personnel, if any.**

Mr. K.K. Rajagopalan has no pecuniary relationship with the Company, directly or indirectly (except to the extent of the remuneration received / receivable by him from the Company and his respective holding in the Company's equity share capital).

**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.

The Board commends the resolution for the approval of Members.

Date : 20th April 2010

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  
24th Annual General Meeting.**

1. **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 the 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.

2. **Mr. T.K. Arun** - Please refer item No.6 under explanatory statement in page 2.

3. **Mr. K.K. Rajagopalan** - Please refer item No.7 under explanatory statement in pages 2 to 4.

**DECLARATION**

To

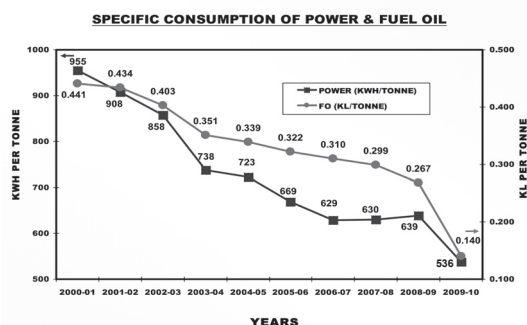
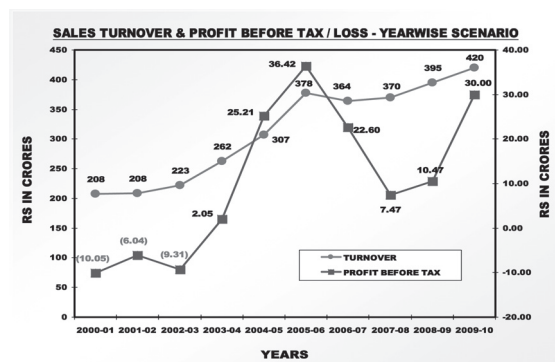
The Members of the Manali Petrochemical Ltd.

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 : 20th April 2010

**G. RAMACHANDRAN**  
MANAGING DIRECTOR



\*\* For plant 1 alone



## REPORT OF THE DIRECTORS AND MANAGEMENT DISCUSSION & ANALYSIS

To

### The Shareholders

The Directors present their 24th Annual Report on the business and operations of your company and the Audited Statement of Accounts for the year ended 31st March 2010.

### FINANCIAL RESULTS (Rs in Crores)

DESCRIPTION	2009-10	2008-09
Profit Before Interest and Depreciation	35.54	19.54
Interest	1.50	1.31
Depreciation	4.04	7.76
<b>Profit Before Tax</b>	<b>30.00</b>	<b>10.47</b>
Provision for Taxation	8.94	3.44
<b>Profit After Tax</b>	<b>21.06</b>	<b>7.03</b>
<b>Cash Profit</b>	<b>29.01</b>	<b>17.14</b>

During the year, the Company achieved a profit before tax of Rs.30.00 Crores and a profit after tax of Rs.21.06 Crores. The main contributing factors for the better profits are higher capacity utilization, higher sales backed up by a favourable domestic demand. The trend of the profits and sales turnover for the past few years are as per graph on page 4.

### OPERATIONAL HIGHLIGHTS

Your company continued its efforts to reduce the cost of production and to improve the quality of the products by debottlenecking the facilities. This helped us to achieve better consumption norms. The efforts led to additional production without substantial increase in the consumption of utilities. During the year, the company achieved highest ever production and sales turnover so far recorded by the company. Ministry of Environment & Forest (MOEF), Government of India accorded permission for the expansion and based on which consent, Tamilnadu Pollution Control Board's (TNPCB) recognition for the additional capacity has also been obtained. Higher capacity utilization of plants has helped to lower specific consumption of key raw material and energy inputs.

The Bio-Mass Fired 4.2MW co-generation captive power plant successfully commissioned during the previous year, was helpful in mitigating the power restrictions during the current year. The captive power plant is being run at required capacity levels.

During the current year, the synthesis section of the propylene oxide plant of Plant-II was retrofitted to reduce the solid and liquid effluents. While doing so, the production capability also improved and the retrofit could be completed with a marginal investment of Rs.10 Crores. The plant was commissioned in March 2010 and the full benefit of the project would accrue in the next financial year. The quality improvement programme, which was taken up last year in the propylene glycol plant of Plant-II has resulted in a higher production levels. The polyol plant of our Plant-I has been debottlenecked to 25000 MTPA. The polyol plant of Plant-II is being expanded by 17000 MTPA to 25000 MTPA. By the end of the next financial year the company will have capacities of 36000 MTPA of propylene oxide, 20000 MTPA of propylene glycol and 50000 MTPA of polyol. The additional propylene oxide required beyond our internal capability of 36000 MT, will be imported.

### DIVIDEND

Your Directors recommend a 7.5 % dividend i.e. Rs.0.375 for every equity share of Rs. 5/- each fully paidup, for the year 2009-10, aggregating to Rs.6.45 Crores.

### MARKET SCENARIO

Though the sale of propylene glycol was sluggish in the previous year due to heavy imports into India, the sale improved with the continued growth of

unsaturated polyester industries, food & flavour industries in India. Moreover limited availability of international products in India during the period aided in increasing the sale during the year.

The sale of slab stock polyol also continued to grow. Our market share is less than 50% leaving scope for further improvement. We could not substantially improve the sale of speciality polyol in view of very stiff competition from multinational companies and restricted buying by the user industries. We hope to improve in this area significantly in the coming years.

This higher quantum of sales of both slabstock polyols and propylene glycol increased your company's sales turnover to Rs.420 Crores in the current year from Rs.395 Crores in the previous year.

### FUTURE OUTLOOK AND NEW PRODUCTS

The polyurethane industries is growing continuously. We are also expanding to maintain our market share. The bulk of the growth is in the PU slab stock area. The glycol market continued to grow in the unsaturated polyester industries and food & flavour industries. The major automobile manufacturers have started expanding their capacities in India and the exports are also on the rise. Similarly, the refrigerator market is also improving significantly thus presenting a good demand for PU chemicals. Your company is hopeful of improving its market share in these areas.

### OPPORTUNITIES AND THREATS

Though the concessional duty levels accorded under Free Trade Agreements are a continuing threat, expanding markets are the opportunities, which will help the company to retain its position. Since the recessionary threat in other parts of the world is slowing / receding, it is generally expected that the price levels would return to normal, improving the profitability.

### 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 several ports would probably help your company to manage any unforeseen outages effectively and ensure continuous supply of products.

### ENVIRONMENT AND SAFETY

Your company continues to maintain International Quality Standards. Periodic surveillance audit was conducted by auditors during December '09. Your company is planning to go for revised quality management system as per ISO 9001 – 2008 version. Certification audit in this regard will be done in the month of May 2010. Your company continues good performance in the area of safety. Recently Unit – II has obtained safety award from Tamil Nadu Government for highest reduction in accident frequency rate for the year 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

As of 31st March 2010, your company had 366 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**

Mr. B. Viswabarathy, Director resigned from the Board with effect from 7<sup>th</sup> October 2009 and Mr. T.K. Arun, General Manager & Secretary of TIDCO was nominated in his place with effect from 7<sup>th</sup> October 2009.

The Board wishes to place on record the valuable services rendered by Mr. B. Viswabarathy during his tenure as the Director of the company.

Mr N. Suryanarayanan, Chief Financial Officer, M/s Southern Petrochemical Industries Corporation Ltd., was appointed as a Director by the Members in the last AGM held on 17<sup>th</sup> September 2009.

Pursuant to the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr Babu K Verghese and Mr. K.K. Rajagopalan, Directors shall retire by rotation and being eligible, offer themselves for re-election.

## **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 :

- That in the preparation of the annual accounts for the Financial year ended 31<sup>st</sup> Mar 2010, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- 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;
- 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;
- That the Directors had prepared the accounts for the financial year ended 31<sup>st</sup> Mar, 2010 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 dematerialized form by all investors with effect from 8.5.2000. 50.77% of shares of your company have been dematted compared to 50.44% 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 2009-2010.

## **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 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 : 20<sup>th</sup> April, 2010

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 31 <sup>st</sup> March 2010							
Name	Designation and Nature of Duties	Age (Years)	Qualification	Experience (Years)	Last Employment and post held	Date of Commencement of Employment	Gross Remuneration (Rs.)
G. Ramachandran*	Managing Director	58	B.Tech., MBA	36	SPIC Ltd., Senior Manager	01.08.1989	37,90,000
K.K. Rajagopalan*	Director (Finance)	59	B.E., PGDM	37	SPIC Ltd., Executive Director (Finance)	20.04.2000	33,01,333

\* 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 2010.

### A) CONSERVATION OF ENERGY

- a) Energy conservation measure taken :-
  - Revamping of propylene oxide at Plant-II has augmented the capacity of the plant without substantial increase in consumption of energy.
  - Increasing the productivity of polyol plant (Plant-I) by 30% by optimizing the process parameters without increase in utility consumption.
  - Installation of gas burners in redundant oil fired boiler at Plant-II for purge gas firing.
  - Installation of high rate thickener at Plant-II.
- b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy :-
  - Installation of polyol Train-2 at Plant-II.
  - Polyol heat recovery system at Plant-II.
  - Conversion of DPG column to MPG column.
- 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) in the order of Rs.2 Crores 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.2 Crores per annum.

### FORM – A (See Rule-2)

	Year Ended 31.03.2010	Year Ended 31.03.2009
<b>(A) Power and Fuel Consumption</b>		
1. ELECTRICITY		
a) Purchased		
Units	38,16,938	2,01,64,314
Amount (Rs) (i.e.cost paid to TNEB)	2,58,45,231	7,50,63,074
Rate per Unit (Rs.)	6.77	3.72
M.D Charges (Rs. / KVA)	300	300
b) Own Generation		
1. Through Diesel Generator (Units)	14,09,056	34,26,622
Unit per litre of Diesel	3.10	3.02
Cost per Unit (Rs.)	10.60	11.38
2. Through Steam Turbine (Units) (NET)	2,30,42,548	43,36,785
Units per MT of Wood, net of Cogeneration	579	430
Cost per Unit (Rs.)	4.18	5.76
2. Coal (Specify quality and where used)	Nil	Nil
3. Furnace Oil (Quantity in KL)	5,605	11,433
Amount (Rs.)	11,58,47,325	26,74,40,236
Average Rate (Rs./KL)	20,669	23,392
4. Others / Internal Generation		
Wood : Quantity (in MT)	39,795	10,074
Amount (in Rs.)	9,62,96,512	2,49,65,340
Average Rate (Rs./MT)	2,420	2,478
<b>(B) Consumption per unit of production with standards (if any)</b>		
Production (in MT)	52,603	42,893
Electricity in Units	536	639
Furnace Oil in KL	0.140**	0.267
Coal	-	-
Others - Wood (in MT) (++)	2.000	0.658

\*\* Applicable for Plant I Only ++ Applicable for Plant II Only



**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 :**

- Continued development activities for treatment of polyol.
- Formulation improvements.
- Reduction of batch timings in production of polyol.

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

- Increased Production of Polyols.
- Reduction in operating costs.
- Improved sales.
- Waste minimization.

**3. Future Plan of Action :**

- Develop a prepolymer for flexible moulding application.
- Continue to focus on speciality glycols for oil fields.
- Alternate blowing agents.

**4. Expenditure on R & D :**

(a) Capital : Rs.5.01 lakhs

(b) Recurring : Rs.51.48 lakhs

**(c) Total : Rs.56.49 lakhs**

(d) Total R&D expenditure as a percentage of total turnover – 0.13%.

**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 have reduced the cost of production. By development of CFC free formulations, we continue to retain our market share, thus avoiding imports into the country.

**3. In case of imported technology (imported during the last five years reckoned from the beginning of the financial year), 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 : Process know-how from M/s ATOCHEM / TECHNIP 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 / TECHNIP 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 thereof 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) - 135.04**

**ii) Foreign Exchange outgo (on cash basis) - 7,192.62**