



# **ANNUAL REPORT**

**2011 – 12**

**Manali Petrochemicals Limited**  
(Formerly MANALI PETROCHEMICAL LTD.)

### Board of Directors

Ashwin C Muthiah	Chairman
T K Arun (Nominee of TIDCO)	Director
Babu K Verghese	Director
Brig (Retd.) Harish Chandra Chawla	Director
Sanjiv Ralph Noronha	Director
Muthukrishnan Ravi	Managing Director

### Audit Committee

Sanjiv Ralph Noronha	Chairman
Brig (Retd.) Harish Chandra Chawla	Member
T K Arun	Member

### Chief Financial Officer

S Vasudevan

### Company Secretary

R Kothandaraman

### Registered Office

SPIC HOUSE  
 88 Mount Road  
 Guindy, Chennai 600 032

### Principal Office & Plant - 1

Ponneri High Road  
 Manali, Chennai 600 068

### Plant - 2

Sathangadu Village  
 Manali, Chennai 600 068

### Auditors

Deloitte Haskins & Sells  
 ASV N Ramana Towers  
 52, Venkatnarayana Road  
 T Nagar  
 Chennai 600 017

### Cost Auditor

S Gopalan & Associates  
 F-1, Nethrambigai Apartments  
 15, Vembuli Amman Koil Street  
 K K Nagar West  
 Chennai 600078

### Bankers

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

### Registrars and Share Transfer Agent

Cameo Corporate Services Limited  
 Subramanian Building  
 1 Club House Road  
 Chennai 600 002

## CONTENTS

1.	Notice to Shareholders .....	01
2.	Directors' Report and Management Discussion & Analysis Report.....	05
3.	Report on Corporate Governance .....	09
4.	Auditors' Report .....	16
5.	Balance Sheet.....	18
6.	Statement of Profit and Loss.....	19
7.	Cash Flow Statement.....	20
8.	Notes to Financial Statements .....	21

## Notice to Shareholders

**NOTICE** is hereby given that the 26th Annual General Meeting of the Members of Manali Petrochemicals Limited will be held at Rajah Annamalai Mandram, 5, Esplanade Road (Near High Court), Chennai – 600 108, on Friday the 3rd August 2012 at 10.15 a.m. to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31<sup>st</sup> March 2012, the Profit and Loss Account and the Cash Flow Statement 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. T K Arun who retires by rotation and being eligible offers himself for re-election.

4. To consider and if thought fit, to pass, with or without modification, the following 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 with ICAI Registration Number 008072S, be and are hereby re-appointed as the Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on a remuneration to be fixed by the Board of Directors of the Company.

### SPECIAL BUSINESS

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

RESOLVED THAT pursuant to Section 257 of the Companies Act, 1956 and the Articles of Association of the Company, Brig (Retd.) Harish Chandra Chawla be and is hereby appointed as a Director of the Company, liable to retire by rotation.

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

RESOLVED THAT pursuant to Section 257 of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Sanjiv Ralph Noronha be and is hereby appointed as a Director of the Company, liable to retire by rotation.

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

RESOLVED THAT pursuant to Section 257 of the Companies Act, 1956, and the Articles of Association of the Company, Mr. Muthukrishnan Ravi be and is hereby appointed as a Director of the Company, not liable to retire by rotation.

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

RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 and 311, Schedule XIII and other applicable provisions of the Companies Act, 1956, and the Articles of Association and subject to such approvals as may be required, consent of the Company be and is hereby accorded for the appointment of Mr. Muthukrishnan Ravi, as the Wholetime Director/Managing

Director of the Company on the terms and conditions as detailed below:

- |   |                       |                                    |
|---|-----------------------|------------------------------------|
| a | Period of Appointment | 3 years (29-07-2011 to 28-07-2014) |
| b | Nature of Appointment | Contractual                        |
| c | Remuneration          |                                    |

Mr. Muthukrishnan Ravi shall be paid remuneration as detailed below:

- |     |              |                        |
|-----|--------------|------------------------|
| i.  | Basic Salary | Rs. 1,50,000 per month |
| ii. | Allowances   | Rs. 2,77,310 per month |

In addition to the above, Mr. Muthukrishnan Ravi shall be eligible for annual performance pay not exceeding Rs.10 lakhs for the period till 31<sup>st</sup> March 2012 and Rs.20 lakhs from 1<sup>st</sup> April 2012, allowance in lieu of superannuation contribution @ 15% of basic salary, medical reimbursement and leave travel concession, each not exceeding one month's basic pay per annum.

Contribution to Provident and other Funds, leave, gratuity and other benefits shall be in accordance with the applicable law/service rules of the Company.

The following shall not be included in the computation of the ceiling of remuneration to Mr. Muthukrishnan Ravi:

- Encashment of leave as per the Rules of the Company.
- Provision of car with driver for business and personal use.
- Provision of telephone at residence and cellular phone.
- Reimbursement of entertainment expenses and travelling expenses actually incurred for the conduct of the business of the Company, subject to a reasonable ceiling as may be fixed by the Board from time to time.

- d
- Payment of minimum remuneration in the event of loss or inadequacy of profits:

In the event of inadequacy of profits, the aforesaid remuneration shall be the minimum remuneration payable to Mr. Muthukrishnan Ravi.

Date 25th April 2012

**Registered Office:**

SPIC HOUSE

88 Mount Road, Guindy,

Chennai - 600 032.

By Order of the Board  
 For Manali Petrochemicals Limited

**R Kothandaraman**  
 Company Secretary

#### Notes:

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and to vote on poll on his behalf 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 at Ponneri High Road, Manali not less than 48 hours before the commencement of the meeting.
3. Members / Proxies should bring the attendance slip duly filled in and signed and hand over the same at the entrance of the hall for attending the meeting. Members are requested to indicate their Folio No. / DP ID and Client ID numbers in the attendance slip.
4. Members are requested to bring their copies of the Annual Report.
5. The Register of Members and the Share Transfer Books of the Company will remain closed from July 23, 2012 to August 3, 2012 (both days inclusive).
6. Members are requested to furnish the details of their nomination (if not already sent) in the prescribed form to M/s Cameo Corporate Services Limited, Chennai, the Registrars and Share Transfer Agent (RTA) of the Company.
7. To avoid postal delays, misplacement and fraudulent encashment of the dividend warrants, Members are requested to avail ECS facility for receipt of dividend. The form for this purpose is available on the Company's website [www.manalipetro.com](http://www.manalipetro.com) and Members desirous of using the facility may send the same duly completed to the RTA. Members holding shares in demat form are requested to update their bank mandates with their respective Depository Participants.
8. Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 and a brief resume of the Director seeking re-election at the AGM are annexed to this notice.
9. The complete Annual Report for the years 2007-08, 2008-09, 2009-10, 2010-11 and 2011-12 are available in the Company's website [www.manalipetro.com](http://www.manalipetro.com).
10. In terms of the Green Initiative in Corporate Governance of the Ministry of Corporate Affairs, communicated vide General Circular No. 17/2011 dated 21-04-2011 read with General Circular No. 18/2011 dated 29-04-2011, the Annual Reports, notice of meetings and other statutory documents required to be furnished by the Company to the Members can be sent in electronic mode. For this purpose, the Members are requested to register their e-mail addresses with the RTA, for receiving the aforesaid information in electronic mode.

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#### Annexure to Notice

#### EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

##### Item No. 5, 6 and 7

##### Appointment of Directors under Section 257 of the Companies Act, 1956

The Board appointed Brig (Retd.) Harish Chandra Chawla, Mr. Sanjiv Ralph Noronha and Mr. Muthukrishnan Ravi as Additional Directors of the Company on 29th July 2011. Pursuant to Section 260 of the Companies Act, 1956, (the Act) they hold office till the ensuing Annual General Meeting. It is proposed to appoint them as Directors of the Company for which notices have been received from Members under Section 257 of the Act.

Mr. Ravi was also appointed as the Whole Time Director of the Company for a period of 3 years with effect from the said date and as the Managing Director from 1st October 2011. Mr. Chawla and Mr. Noronha will be liable to retire by rotation and in terms of Article 148 of the Articles of Association, Mr. Ravi, being the Managing Director will not be liable to retire by rotation. Brief profiles of the proposed appointees are as below:

**Brig (Retd.) Harish Chandra Chawla** holds a master's degree in science and is an M. Tech from IIT, Delhi, a Fellow of the Institution of Electronic and Telecom Engineers and a Member of Computer Society of India. He has done Finance Course in IIM, Bangalore and Executive Management Course in ISB, Hyderabad.

Mr. Chawla served the Indian Army in various capacities for 36 years and retired as a Brigadier. During his tenure with the Army, he has handled managerial, administrative and technical functions and in the last 3 years of his service, he held strategic level positions in a project of national importance and was involved in project planning and execution of a large project relating to development of equipment.

Post retirement from the Army, Mr. Chawla has 11 years experience in the private sector, including as Managing Director/Director for about six years. He was the Chairman of Modern Protection and Investigation, Mumbai a security

services company, Managing Director of ISS SDB Services Pvt. Ltd. and Director of Innovative Salary Services and Payroll Advisor Pvt. Ltd. He is a Director of Security Knowledge & Skill Development Council, a Section 25 company.

Mr. Chawla does not hold any shares in MPL.

**Mr. Sanjiv Ralph Noronha** received his Bachelor's Degree in Mechanical Engineering from Shivaji University in India. He completed his Masters in Business Management from the Asian Institute of Management in the Philippines.

Mr. Noronha is the Managing Director and Founder of SEAI International Pte Ltd. Prior to founding SEAI in September 2007, he was the Group Managing Director for Chemoil Energy Limited, a company listed on the Singapore Stock Exchange. He joined Chemoil in 1993 and from infancy grew the company to a US\$ 6 billion Corporation with offices and operations around the globe. During his tenure in Chemoil, he built its new ventures: a Global Shipping Company and an Oil Storage Facility.

Mr. Noronha has had a wide spectrum of experience in various functional areas across the world. His extensive experience includes general management, new business start up, providing strategy, strategy implementation and turnaround management. Prior to joining Chemoil, he had 4 years of experience in banking in Manila, Philippines and automobile manufacturing in India.

Mr. Noronha does not hold any shares in MPL. He is a Director of SEAI International Pte Ltd., Singapore, Wilson International Trading Private Limited, Singapore, Greenstar Fertilizers Limited, Chennai and PSA SICAL Terminals Limited, Chennai.

Profile of Mr. Muthukrishnan Ravi is given under Item No. 8

The Board recommends the resolutions for the consideration of the members. Except the respective appointees, none of the other Directors is interested or concerned in the resolutions.

#### **Item No. 8**

#### **Approval for appointment and remuneration of Mr. Muthukrishnan Ravi as the Managing Director of the Company**

**Mr. Muthukrishnan Ravi**, a B.Tech., MBA started his career as an Assistant Engineer in Indian Organic Chemicals Ltd., Chennai in 1982. He was associated with reputed organizations like Madras Refineries Ltd (now CPCL), SADAF, Saudi Arabia and ESSO Singapore. He was the Commercial Head for Asia Pacific and Country Head for Indian Sub Continent, DOW Chemicals from 1997 to 2009 and took over as Executive Vice President for Strategy and Global Sourcing of Sanmar Chemplast in 2009.

Mr. Ravi joined Manali Petrochemicals as the Chief Operating Officer from 1st April 2011. He was appointed as an Additional Director of the Company at the Board Meeting held on 29th July 2011. He was appointed as a Whole Time Director for a period of 3 years on the remuneration recommended by the Remuneration Committee and approved by the Board. Mr. Ravi took over as the Managing Director of the Company from 1st October 2011.

At the meeting held on 25th April 2012, Board has, based on the recommendation of the Remuneration Committee, increased the annual performance pay to Mr. Ravi from Rs. 10 lakhs to Rs. 20 lakhs with effect from 1st April 2012.

Mr. Ravi does not hold any shares in MPL and also does not hold directorship in any other company.

Statement pursuant to Clause (iv) of proviso to Sub paragraph C of Paragraph 1 of Section II of Part II of Schedule XIII to the Act is enclosed to the extent applicable.

The Board recommends the resolution for the consideration of the Members. Except Mr. Muthukrishnan Ravi, none of the other Directors is interested or concerned in the resolution.

Date 25th April 2012

#### **Registered Office:**

SPIC HOUSE  
88 Mount Road, Guindy,  
Chennai - 600 032.

By Order of the Board  
For **Manali Petrochemicals Limited**

**R Kothandaraman**  
Company Secretary

**Statement pursuant to Clause (iv) of proviso to Sub-paragraph C  
of Paragraph 1 of Section II of Part II of Schedule XIII to the Act**

**A. GENERAL INFORMATION**

(1) Nature of industry	Petrochemicals – Manufacture of Propylene Oxide, Propylene Glycol and Polyols, intermediates with applications across a spectrum of industries including Pharmaceuticals, Polyurethane, Resin, Fragrances, Food, Refrigeration, Oil Drilling, etc.		
(2) Year of Commencement of commercial production	1990		
(3) Financial performance		(Rs. lakhs)	
	<b>YEAR</b>	<b>SALES</b>	<b>PAT</b>
	2009-10	38,869.81	2,106.27
	2010-11	45,190.27	2,527.75
	2011-12	57,303.22	4,367.97
(4) Export performance	<b>YEAR</b>	(Rs. lakhs)	
	2009-10	83.46	
	2010-11	251.54	
	2011-12	340.89	

**B. INFORMATION ABOUT THE APPOINTEE**

(1) Background details	Furnished under Item 8 of the Explanatory statement
(2) Past remuneration	This is the first appointment of Mr. Ravi as the Managing Director of the Company.
(3) Job profile and his suitability	As Managing Director of the Company he will be responsible for the management of the Company, subject to the superintendence, guidance and control of the Board of Directors of the Company. Taking into account his previous experience, educational background, knowledge about the industry and the nature and size of operations of the Company, he is a fit and proper person to be appointed as the Managing Director of the Company.
(4) Remuneration proposed	Details furnished in the relevant resolution.
(5) Comparative remuneration profile with respect to industry, size of the company profile of the position and person.	The proposed remuneration is reasonable with respect to the industry, size of the company and job profile of the proposed appointee.
(6) Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any	NIL

**C. DISCLOSURES**

(1) Information on remuneration package	Details furnished in the relevant resolution.
(2) Other disclosures	Information on elements of remuneration, components, terms of service and stock option are furnished in the resolution / report on Corporate Governance annexed to the Report of the Board of Directors.

**Brief Resume of Mr. T K Arun, seeking re-appointment at the 26th Annual General Meeting**

**Mr. T K Arun** holds a Bachelor's Degree in Commerce and is an Associate Member of the Institute of Company Secretaries of India, New Delhi. He is the General Manager and Secretary of Tamilnadu Industrial Development Corporation Limited (TIDCO), wholly owned by the Government of Tamilnadu. He also serves as Nominee Director in companies assisted by TIDCO.

Mr. Arun's expertise includes structuring of Public Private Partnerships (PPPs) for Infrastructure Projects including Water, Ports and Roads, PPP documentation viz., Concession Agreements and related Contracts, Bid Process Structuring, Bid Process Management; Contract drafting / negotiation, Contract Management and Arbitration.

Mr. Arun does not hold any equity shares in the Company. He is a Director of Cheslind Textiles Limited, Tamilnadu Petroproducts Limited, Southern Petrochemical Industries Corporation Limited, Ascendas IT Park (Chennai) Limited, DLF Infopark Developers (Chennai) Limited, Sree Maruthi Marine Industries Limited, Tanflora Infrastructure Park Limited and TIDEL Park Limited.

## Directors' Report and Management Discussion & Analysis Report

To

### The Shareholders

The Directors present their 26th Annual Report on the business and operations of your Company and the Audited Statement of Accounts for the year ended 31st March 2012.

### Financial Results (Rs. in crore)

Description	2011-12	2010-11
Profit Before Interest & Depreciation	66.69	40.76
Interest	1.92	1.54
Depreciation	5.88	4.91
Profit Before Tax	58.89	34.31
Provision for Taxation	15.21	9.04
Profit After Tax	43.68	25.27
Cash Profit	49.87	31.60

During the year, the Company achieved a profit before tax of Rs. 58.89 crore and a profit after tax of Rs. 43.68 crore.

### Operational Highlights

During the year under review, the process units were continued to be operated at higher capacity and production was stepped up and streamlined. The Company embarked on capital proposals for adding certain balancing equipments and facilities to optimize the capacity utilization. The new polyol facility in Plant 2, which was commissioned in Feb. 2011, was operated satisfactorily during the year. The bio-mass fired 4.2 MW co-generation captive power plant also performed well, enabling the Company to overcome the problems on account of restrictions imposed on power consumption.

In order to ensure availability of sufficient quantities of Propylene Oxide (PO) for the derivative plants, your Company has entered into agreement for storage of imported PO in bulk, which is expected to be ready by early 2013.

During the year, 1,14,51,053 equity shares were transferred by SPIC to Dr. A C Muthiah and SIDD Life Sciences Private Limited as inter se transfer among promoters.

The Registrar of Companies, Tamil Nadu, Chennai accorded his approval for change of the name of the Company as **Manali Petrochemicals Limited** vide fresh certificate of incorporation dated 18th August 2011.

### Dividend

Your Directors recommend a 12 % dividend i.e. sixty paise for every equity share of Rs. 5/- each fully paid-up, for the year 2011-12, aggregating to Rs. 10.32 crore, excluding dividend distribution tax.

### Market Scenario

The Company achieved a turnover of Rs. 630.45 crore against Rs. 497.63 crore in FY 2010-11, an increase of 27%. This was possible due to better selling price for the products and a marginal increase in sales volume.

During the year under review, the country witnessed a slow-down in economic growth and the manufacturing sector's performance was adversely affected due to various factors like high inflation, higher interest rates and frequent power cuts etc. Contrary to the general trend, the Indian Polyurethane market registered a positive growth in the last financial year. Sale of various grades of polyol like base polyol, slab stock polyol and elastomers improved considerably. However, reduction of duty on polyols to zero percent under Free Trade Agreements with ASEAN countries caused severe margin pressure on your Company. This was managed by a combination of better raw material sourcing and restructuring of the product portfolio.

### Future Outlook and New Products

Indian Polyurethane industry's performance during 2007-2012 has been impressive with double-digit growth. The industry is expected to grow further in the medium term and your Company is confident of increasing its market share. Steps have also been initiated to foray into new segments by developing polyols for visco elastic and flexible slab stock memory foam application and to improve physical properties of moulded foam. In keeping with its commitment to environment, your Company is developing formulations that are more environment friendly and widely based on the international markets.

### Opportunities and Threats

The Company is poised to increase its market share in the pharmaceutical and industrial application segments, where the value addition is more. However, as stated earlier, duty concessions for import of polyols and other products under the Free Trade Agreements with ASEAN countries have opened up stiff competition. The Company would have to operate with thin margins to ward off the competition. Protective actions are contemplated to overcome the situation through better value addition and new products.

### Risks and Concerns

Availability of PO for the derivative plants at a reasonable cost could be a major risk, as the Company has facilities to produce only 36,000 TPA of PO with limited scope for expansion. Import of PO in ISO tankers would not be economical. However, on the storage facility of imported PO in bulk becoming operational, your Company would be in a position to meet its requirement of PO, without much difficulty and at a reasonable cost.

### Environment and Safety

The periodic surveillance audits of ISO 9001 and ISO 14000 have been done regularly and the re-certification audits were conducted in March 2012.

### Conservation of Energy

As required under Section 217(1)(e) of the Companies Act, 1956 ('the Act') 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, to the extent applicable are annexed and form part of this report.

### Fixed Deposits

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

### Industrial Relations

As on 31st March 2012, your company had 332 employees on its roll including Engineers, Technicians and Trainees. Wherever necessary, training is imparted at all levels.

### Particulars of Employees

Details prescribed under Section 217 (2A) of the Act, read with Companies (Particulars of Employees) Rules, 1975, as amended are attached to this Report.

### Directors

Mr. M Sivagnanam, Director resigned on 29th July 2011 and on 30th September 2011, Mr. G Ramachandran, Managing Director took early retirement and Mr. K K Rajagopalan, Director (Finance) retired. The Board wishes to place on record its appreciation for the services rendered by Mr. Sivagnanam, Mr. Ramachandran and Mr. Rajagopalan during their association with the Company.

Brig (Retd.) Harish Chawla, Mr. Sanjiv Noronha and Mr. Muthukrishnan Ravi were appointed as Additional Directors on 29th July 2011 to hold office till the ensuing Annual General Meeting (AGM). Pursuant to Section 257 of the Act, notices have been received from Members proposing their appointment as Directors of the Company at the ensuing AGM.

Mr. Muthukrishnan Ravi was also appointed as a Whole-time Director on the said date and he became the Managing Director of the Company from 1st October 2011. The proposal seeking approval of his appointment and remuneration is being placed before the Members at the ensuing AGM.

Pursuant to the provisions of the Act and the Articles of Association of the Company Mr. T K Arun, Director retires by rotation and being eligible, offers himself for re-election.

#### **Directors' Responsibility Statement**

Pursuant to the requirement under Section 217(2AA) of the Act, it is hereby confirmed that:

- in the preparation of the annual accounts for the Financial Year ended 31st March 2012, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- 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;
- the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and
- the Directors had prepared the accounts for the Financial Year ended 31st March 2012 on a going concern basis.

#### **Corporate Governance**

Your Company has complied with the requirements of Corporate Governance as required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges. A Report on Corporate Governance is made a part of this Report and a Certificate from the Auditors regarding compliance with the requirements of Corporate Governance is attached to this Report.

#### **Details of unclaimed Share Certificates**

As required under Clause 5A of the Listing Agreement, three reminders were sent to the concerned shareholders during the year.

As per the information provided by the Registrars and Share Transfer Agent, the following are the details of unclaimed share certificates:

Particulars	No. of shareholders	No. of shares
Balance as on 01-04-2011	7,177	17,43,308
Add: Returned during the year	656	98,400
Less : Released during the year	429	55,855
Balance as on 31-03-2012	7,404	17,85,853

Dematerializing the balance shares remaining unclaimed by the shareholders and transfer of the same to a separate demat account in accordance with the requirements of the said Clause 5A is under process.

#### **Cost Audit**

The Government of India has ordered the Company to conduct audit of the cost accounts in respect of 'Chemicals' manufactured by the Company and accorded its approval for appointment of Mr. S Gopalan, Proprietor, S Gopalan & Associates, Cost Accountants, Chennai as the Cost Auditor of the Company for the year 2011-12. The Cost Audit Report for the year 2010-11 was filed with the Central Government on 17-08-2011.

#### **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 in place adequate internal control systems combined 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, the Promoters and the consortium of Banks. The Directors wish to thank 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.

#### **Disclaimer**

The Management Discussion and Analysis contained herein is based on the information available to the Company and assumptions based on experience in regard to domestic and global economy, on which the Company's performance is dependent. It may be materially influenced by macro economic/environment changes, on which the Company may have no control and impact the views perceived or expressed herein.

For and on behalf of the Board

**Ashwin C Muthiah**  
Chairman

Chennai  
25th April 2012

#### **Statement pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975.**

Name	Current Designation	Age	Qualification	Experience	Last employment and post held	Date of Commencement of employment	Gross Remuneration Rs.
Muthukrishnan Ravi	Managing Director	52 years	B. Tech. MBA (XLR)	30 years	Sanmar Chemplast Limited as Executive Vice President for Strategy and Global Sourcing	01-04-2011	70,00,000

#### **Notes:**

- The appointment is contractual.
- Mr. Ravi was appointed as the Chief Operating Officer on 01-04-2011 and as an Additional/Wholetime Director on 29-07-2011. He took over as the Managing Director w.e.f. 01-10-2011.



## Annexure to Directors' Report

Particulars as required under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 for the year ended 31st March 2012, are furnished below to the extent applicable:

### A. Conservation of Energy

(a) Energy conservation measures taken :

- The Mono Propylene Glycol Column 1 at Plant II has been modified to operate at lower temperatures and savings in steam achieved.
- The pressure steam from Propylene Glycol plant has been recovered and utilized for Milk of Lime, resulting in savings in steam consumption.
- Saving in furnace oil and diesel through reduction in downtime of Captive Power Plant by operating the boiler at a lower temperature.

(b) Additional investments and proposals being implemented for reduction of consumption of energy:

- Saponifier top stream in Propylene Oxide plant will be fed directly instead of through compressor, resulting in savings of steam.
- Productivity at polyol plant to be augmented without any substantial increase in power consumption.

(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) is expected to be about Rs. 1.50 Crore per annum.
- The savings envisaged by implementing the energy conservation measures as at (b) for reduction of energy consumption and consequent impact on the cost of production of goods estimated to be around Rs. 1.00 crore per annum.

(d) Details of total energy consumption and energy consumption per unit of production are furnished in Form A below:

### FORM A

	Year ended March 31, 2012	Year ended March 31, 2011
<b>(A) Power and Fuel Consumption</b>		
1. Electricity		
(a) Purchased		
Units	66,73,870	29,09,232
Amount (Rs.) (i.e. cost paid to TNEB)	3,17,34,816	1,50,70,998
Rate per Unit (Rs.)	4.76	5.18
MD Charges (Rs./ KVA)	300	300
(b) Own Generation		
i. Through Diesel Generator (Units)	15,46,917	20,81,919
Unit per litre of diesel	3.57	3.48
Cost per unit (Rs.)	11.49	11.15
ii. Through Steam Turbine (Gross)	2,79,38,495	2,90,30,150
Through Steam Turbine (Net)	2,26,06,826	2,40,17,525
Units per MT of wood, net of cogeneration steam	550	590
Cost per unit (Rs.)	4.94	4.22
2. Coal	Nil	Nil
3. Furnace Oil (Qty in KL)	5,607	6,024
Amount (Rs.)	19,46,83,658	15,20,41,739
Average Rate (Rs./KL)	34,719	25,241
4. Others		
Wood Qty. (MT)	41,090	40,732
Amount in (Rs.)	11,16,88,123	10,14,19,263
Average Rate (Rs. /MT)	2,718	2,490
<b>(B) Consumption per unit of production</b>		
Production (in MT)	58,887	54,740
Electricity (in Units)	519	521
Furnace Oil (in KL) (**)	0.172	0.140
Coal	Nil	Nil
Others - Wood (in MT) (++)	1.370	1.880

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

## B. Technology Absorption:

Efforts made in technology absorption are shown in Form B below:

### FORM B

#### I. Research and Development (R&D) :

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

- Formulation improvements.
- Cost reduction exercises.
- Visco-elastic polyol systems for flexible moulded memory foam.
- High functionality polyols.
- Clouding polyols for oil field.

##### 2. Benefits derived as a result of above:

- Improved production and sales of polyols.
- Reduction in operating cost.

##### 3. Future Plan of Action :

- Develop a polyol for visco elastic and flexible slab stock memory foam application.
- Introduce formulations for alternative blowing agents to phase out HCFC as per country's programme.
- Develop special polyol for improved physical properties of moulded foam

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

(Rs. in Lakhs)

(a) Capital	:	15.93
(b) Recurring	:	64.90
(c) Total	:	80.83
(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. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.:  
Use of Indigenous chemicals has reduced the cost of production. By development of CFC free formulations, we continue to retain our market share, thus avoiding imports into the country.

## C. Foreign Exchange Earnings and outgo

- a. Efforts: Possibilities for increasing the export of products are being explored.
- b. Foreign Exchange earnings and outgo:

(Rs. in Lakhs)

i. Earnings	340.89
ii. Outgo (on cash basis)	12,609.63