

INEOS ABS

36th Annual Report
January-December 2008



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INEOS ABS (India) Limited

Board of Directors	Dr. Gerhard Franken Mr. R S Agrawal Mr. Andrew Pizzey Mr. S M Kulkarni Mr. Jal R Patel Mr. Ravindra Kulkarni Mr. Arindam Ghosh Dr. Hans Kogelnik Dr. Joerg Strassburger Mr. Venkatesh Sankaran Mr. Vishal R Agrawal Mr. K R V Subrahmanian	Chairman (Appointed w.e.f.13.03.2008) Managing Director Director (Appointed w.e.f.13.03.2008) Director Director Additional Director (w.e.f.17.10.2008) Alternate to Mr. Andrew Pizzey (w.e.f.13.03.2008) Director (ceased w.e.f.13.03.2008) Director (ceased w.e.f.13.03.2008) Director (ceased w.e.f.13.03.2008) Director (ceased w.e.f.17.04.2008) Director (ceased w.e.f. 27.03.2008)
VP (Finance)	Mr. D. J. Shah	
Company Secretary & VP (Legal)	Mr. S. M. Vaishnav	
Statutory Auditors	M/s. Price Waterhouse, Mumbai	
Bankers	State Bank of India ICICI Bank Standard Chartered Bank ABN Amro Bank	
Registered Office	6th Floor, ABS Towers, Old Padra Road, Vadodara - 390 007. Phones : 0265-2355861-63, 2355871-73. Fax : 0265-2341012, 2355860, 2355950, 2355960.	
Works	51, GIDC Industrial Estate, Nandesari - 391 340 Dist. Baroda Phones : 0265-2840319, 2840285, 2840559, 2841010 Fax : 0265- 2840827	
Katol Plant	Halol-Katol Road, Katol -389 330 , Taluka Kalol, Dist. Panchmahal, Gujarat Phones : 02676-235980, 235891, 235802, 235803. Fax : 02676 - 235518	
Delhi Office	8-A, Gopala Tower, 25-Rajendra Place, New Delhi - 110 008 Phones : 011-25712650, 25729515, 25712727 Fax : 011-25756494	
Mumbai Office	LANXESS India Pvt. Limited, Thane-Kolshet Road, Thane, Mumbai - 400 607 Phones : 022-25311175-76, Fax : 022-25455072	
Bangalore Office	Unit 4 & 5, 2nd floor, Above Big Kids Kemp, Ramanashree Arcade No. 18, M. G. Road, Bangalore - 560 001 Phones : 080-25596516, 25525285, Fax : 080-25580508	
Ahmedabad Office	404, Satkar, Nr. Swagat Char Rasta, C. G. Road. Ellisbridge, Ahmedabad - 380 006 Phones : 079-26446877-78, Fax : 079-26442013	
R & D Centre & Moxi Plant	Sankarda-Bhadarva Road, Post : Poicha - 391 350 Tal.: Savli, Dist.: Baroda Phones : 02667-244350, 244370, 244380, Fax : 02667 - 244340	

Members are requested to direct all correspondence relating to share matters to the Company's Registered Office or to Share Transfer Agent, M/s. Link Intime India Private Limited, 308, 1st Floor, Jaldhara Complex, Opp Manisha Society, Old Padra Road, Vadodara - 390 015.

NOTICE

NOTICE is hereby given that the 36th Annual General Meeting of the members of the Company will be held on **20th April, 2009 (Monday), at 4.30 p.m.** at the Registered Office of the Company at ABS Towers, Old Padra Road, Vadodara - 390007, to transact the following business:

(A) ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st December, 2008, Profit and Loss Account and Cash Flow Statement for the year ended on that date and report of the Directors' and Auditor's thereon.
2. To declare dividend on ordinary shares, if any.
3. (a) To appoint a Director in place of Mr. S. M. Kulkarni, who retires by rotation and, being eligible, offers himself for re-appointment.

(b) To appoint a Director in place of Dr. Gerhard Franken who was appointed as a director to fill in the casual vacancy caused by resignation of Dr. Joerg Strassburger and whose term of office expires at the ensuing Annual General Meeting and who offers himself for appointment as a Director of the company, liable to retire by rotation.
4. To consider re-appointment of M/s Price Waterhouse, Chartered Accountants, Mumbai, as Statutory Auditors of the Company.

(B) SPECIAL BUSINESS

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution.

"RESOLVED THAT Mr. Ravindra Kulkarni, who having been appointed as an additional director and in respect of whom notice under section 257 of the Companies Act, 1956 has been received from some of the members, be and is, hereby appointed as a Director of the company, ***liable to retire by rotation.***"

Regd. office :
6th floor, ABS Towers,
Old Padra Road,
Vadodara.
February 12, 2009

BY ORDER OF THE BOARD
For INEOS ABS (India) Limited

S M Vaishnav
Company Secretary & VP (Legal)

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

Proxy form in order to be effective must be received by the Company not less than 48 hours before the commencement of the meeting. A proxy so appointed shall not have any right to speak at the meeting. A blank proxy form is enclosed.

2. The Register of Members and Share Transfer Books of the Company (for both Demat & Physical) will remain closed from 13th April, 2009(Monday) to 17th April, 2009 (Friday), both days inclusive for the purpose of Annual General Meeting and Dividend.

3. Members are requested to :

- (i) notify immediately the changes in their address, if any, to the Company or its Share Transfer Agent and in case the shares are held in dematerialised form, the information should be passed on to their respective Depository Participants without any delay. Members should always quote their folio number or DP ID & Client ID, as the case may be, in all correspondence.
 - (ii) change their shareholding to dematerialized form in case the shareholders are holding shares in physical form.
 - (iii) avail facilities of electronic clearing services to avoid fraudulent encashment of warrants. Members are requested to send their Bank account details to the Share Transfer Agent, M/s. Link Intime India Private Limited, 308, 1st Floor, Jaldhara Complex, Opp. Manisha Society, Old Padra Road, Vadodara - 390015 or Company's share department at 6th Floor, ABS Towers, Old Padra Road, Vadodara – 390 007 on or before 13th April, 2009 so as to enable the Company to directly credit the dividend amount to their bank account.
4. Members desirous of getting any information on Accounts or other items of Agenda are requested to forward his/her queries to the Company at least seven working days prior to the date of Annual General Meeting so as to enable the management to keep the information ready.
5. Corporate members intending to send their authorized representatives are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.
6. Members/proxies attending the meeting are requested to bring their copy of Annual Report with them at the Meeting and deliver the enclosed attendance slip at the entrance of the meeting hall.

7. **Reappointment of Directors**

Pursuant to the provisions of Articles of Association, Mr. S.M. Kulkarni and Dr. Gerhard Franken are retiring at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. In addition, Mr. Ravindra Kulkarni is to be appointed as a Director. The brief resumes of all these directors and other information as per Clause 49 of the Listing Agreement with Stock Exchanges are provided.

Details of the Directors seeking Re-appointment/Appointment as per Clause 49 of the Listing Agreement

Name of Director	Mr. S.M. Kulkarni	Dr. Gerhard Franken	Mr. Ravindra Kulkarni	Mr. Andrew Pizzey
Age (Yrs.)	70	58	64	38
Date of Appointment	08.02.2005	13.03.2008	13.03.2008	13.03.2008
Experience (Yrs.)	41	32	38	15
Qualification	Bachelor In Engineering	Ph.D in Process Engineering	LLM	ICAEW
List of Public Companies in which directorship held as on 31.12.2008	<ul style="list-style-type: none"> • INEOS ABS (India) Ltd. • Bayer Crop Science Ltd. • Hindustan Construction Co. Ltd. • KEC International Ltd. • Navin Fluorine International Ltd. • Camlin Fine Chemicals Ltd. • HCC Real Estate Ltd. • Raychem RPG Ltd. • RPG Enterprises Ltd. 	<ul style="list-style-type: none"> • INEOS ABS (India) Ltd. 	<ul style="list-style-type: none"> • INEOS ABS (India) Ltd. • Alternate Brand Solutions Ltd. • Caprihans India Ltd. • Elantas Beck India Ltd. • Entertainment Network India Ltd. • Mahindra & Mahindra Ltd • Mahindra & Mahindra. Contech Ltd. • Shamrao Vithal Co-op Bank Ltd. 	<ul style="list-style-type: none"> • INEOS ABS (India) Ltd.

<p>Committee Chairmanship / Membership held as on 31.12.2008</p>	<p><u>Audit Committee Chairman</u></p> <ul style="list-style-type: none"> • INEOS ABS (India) Limited • Bayer Crop Science Ltd • Hindustan Construction Co. Ltd. • Camlin Fine Chemicals Ltd. • HCC Real Estate Ltd. <p><u>Member</u></p> <ul style="list-style-type: none"> • KEC International Ltd. • Navin Fluorine International Ltd. <p><u>Shareholder's Grievance Committee Member</u></p> <ul style="list-style-type: none"> • Bayer Crop Science Ltd 		<p><u>Audit Committee Chairman</u></p> <ul style="list-style-type: none"> • Caprihans India Ltd. • Elantas Beck India Ltd. <p><u>Member</u></p> <ul style="list-style-type: none"> • Entertainment Network India Ltd. • Mahindra & Mahindra Ltd. • INEOS ABS (India) Ltd. <p><u>Shareholder's Grievance Committee Member</u></p> <ul style="list-style-type: none"> • Elantas Beck India Ltd. • Caprihans India Ltd. • Mahindra & Mahindra Ltd. 	
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Note: Dr Gerhard Franken and Mr. Andrew Pizzey have been inducted on the Board on the 13th March, 2008. Mr. Ravindra Kulkarni having been appointed as an additional director has now offered himself for re-appointment. Being new directors on the Board, required biodata details have been provided.

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956, SETTING OUT THE MATERIAL FACTS RELATING TO BUSINESS UNDER ITEM NO. 5 AS SET OUT IN THE NOTICE.

Mr. Ravindra Kulkarni was appointed as Alternate Director to Dr. Gerhard Franken on the Board w.e.f. 13.03.2008 pursuant to section 313 read with Article 109 of Articles of Association of the Company.

With effect from 17.10.2008 he was appointed as an Additional Director on the Board pursuant to Section 260 of the Companies Act, 1956 read with Article 93 of Articles of Association of the Company. The term of his office expires at the ensuing Annual General Meeting. He is now proposed to be appointed as a director liable to retire by rotation.

Mr. Ravindra Kulkarni's appointment will be Non-executive and will attract no remuneration. You are therefore requested to consider the appointment of Mr. Ravindra Kulkarni as a director liable to retire by rotation.

The Directors of your Company recommend passing of the aforesaid resolution at item no. 5.

Except Mr. Ravindra Kulkarni, none of the directors of the Company is concerned or interested in passing of the resolution.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting their 36th report with audited accounts for the year ended 31st December, 2008.

Financial Performance

The financial performance of your Company for the year ended 31st December, 2008 is indicated below :

(Rs. In '000)			
Particulars	2007	2008	% Change
Sales and other operating Income	6,439,180	6,890,512	7.01
Other Income	55,184	66,881	21.20
Total Income	6,494,364	6,957,393	7.13
Gross Profit before Interest & Depreciation	677,280	417,476	-38.36
Less: Depreciation	135,557	146,537	8.10
Profit Before Taxation	541,723	270,939	-49.99
Less: Provision for Taxation	199,960	102,600	-48.69
Less: Provision for Deferred Tax	(7,778)	(11,200)	44.00
Profit After Taxation	349,541	179,539	-48.64
Add: Balance of Profit Brought Forward	812,976	1,065,794	
Amount Available for Appropriation	1,162,517	1,245,333	
Appropriations:			
Proposed Dividend	52,757	43,964	
Tax on Proposed Dividend	8,966	7,472	
Transfer to General Reserve	35,000	18,000	
Balance of Profit Carried Forward	1,065,794	1,175,897	
	1,162,517	1,245,333	

Change in Promoters

On 13th March, 2008, LANXESS India Pvt. Ltd. and Rakesh Agrawal and associates-erstwhile promoters, executed an agreement involving sale of equity shares (comprising 70% equity) and transferred the same to INEOS ABS (Jersey) Ltd. from UK. This was based on a tripartite agreement entered into among the respective parties. INEOS has appointed its directors on the Board and Dr Gerhard Franken has been made Chairman.

With effect from 17th June, 2008, after complying with the regulations and procedures, your Company's name has changed to INEOS ABS (India) Limited.

Review of Operations

In comparison with the previous year Rs 643.92 Cr. the net sales amounted to Rs. 689.05 Cr. registering growth of 7.01%. The operating profit of the Company is Rs.41.75 Cr, a reduction by 38.36% from last years' Rs.67.73 Cr. and the net profit is decreased by 48.64% from Rs 34.95 Cr. to Rs. 17.95 Cr.

The earning per share changed to Rs.10.21 from last year's Rs 19.88. The Company has not increased share capital which remains unchanged at Rs 17.58 Cr.

In the middle of the year crude prices touched an all time high of \$147 per barrel and by end of the year dropped to below \$ 50. The severe price volatility of crude had a cascading effect on petrochemicals as well and raw materials prices showed similar volatility. The last quarter showed signs of global recession and considerable drop in demand. This resulted into reduced prices for finished goods which lowered price realization ultimately.

In view of the recession, user industries also had shown truncated demand compared to the previous year.

Globally, across countries and corporates alike, it is generally expected that the current year 2009 will be recessionary and growth is likely to be subdued.

Your Board of Directors is pleased to record that for the sixth year in succession, the company continues to be debt free.

Dividend

The Directors of your company are pleased to recommend a dividend of Rs. 2.50 per equity share i.e. 25% for the financial year ended on December 31, 2008 subject to the shareholders' approval at the ensuing Annual General Meeting. Dividend once approved, will be paid to all those shareholders whose names appear on the Register of Members as on 17th April, 2009.

The register of members and share transfer books shall remain closed from 13th April, 2009 to 17th April, 2009, both days inclusive, for the purpose of Annual General Meeting and payment of dividend.

Contribution to the National Exchequer

A sum of Rs. 95.33 Cr. on account of central excise duty in addition to direct and indirect taxes and state taxes was paid to the National Exchequer during the year under the review.

Expansion / Modernisation

In view of the prevailing circumstances, your Company is likely to curtail heavy capital expenditure for modernizing operations. However, prior committed and absolutely necessary expenditure will be incurred as is necessary. Our focus will be mainly towards marketing activities so as to retain our leadership position in the market.

Research and Development

The R & D center continues to cater to customers' needs within the laid out standards. Validation studies have helped in efficient process improvements.

INEOS ABS is likely to tap our R & D capabilities globally and we hope to become an important hub for such related activities.

Our after sales services to customers have resulted in unique customer bonding and has developed into long term relationship ensuring mutually beneficial results.

Risk Management

Risk management and control practices have been deployed across all the functions and functional evaluation of rating the probability and impact is constantly monitored under the guidance of the Managing Director. The high ranking risks are deliberated at the Board level and mitigating steps and measures applied or to be applied are debated.

The objective of the Company's risk management framework comprises the following :

- To identify, assess, prioritize and manage existing as well as new risks in a planned and coordinated manner.
- To increase the effectiveness of internal and external reporting structure.
- To develop a risk culture that encourages employees to identify risks and associated opportunities and respond to them with appropriate actions.

The Senior Management team forming part of risk managing organization conduct an exercise every quarter internally for an ongoing risk assessment and take measures and effective steps to mitigate / reduce its impact and control the same from time to time. The Managing Director gives overall directions in controlling / mitigating risks generally and is in complete know of the organizational risks potential.

Environment and Safety

Your Company gives highest importance to environment and safety and encourages and promotes safety awareness as an integral part of the work culture. Onsite emergency plans have been reviewed and updated in all divisions. Periodic mock trials are conducted at various divisions and the reports indicate improved preparedness of employees.

A two-tier safety system is followed to resolve safety issues. Apart from employees, the contractors and workmen are also given exhaustive training on safety, first-aid and fire fighting. The Company has appointed and trained safety stewards to promote safety in all divisions.

Your Company continues to maintain ISO certification standards.

Insurance

As at year end 2008, your Company's assets are adequately insured against risk from fire, riot, earthquake, terrorism etc and loss of profits.

As an additional coverage, a statutory Public Liability Insurance Policy has been taken to cover public liability arising out of industrial accidents.

Directors

On 13th March, 2008, consequent to the majority block (83.33%) of equity shares being acquired by INEOS ABS (Jersey) Ltd, the LANXESS representatives on the Board resigned and the INEOS representatives were appointed as directors on the Board of your Company.

Dr. Gerhard Franken as Chairman / Director and Mr. Andrew Pizzey as Director, representatives of INEOS group, were appointed in the casual vacancy caused due to the resignations of Dr. Joerg Strassburger and Mr. Venkatesh Sankaran, respectively, representing LANXESS India Pvt Ltd. Mr. Ravindra Kulkarni was appointed as an Alternate Director to Dr. Gerhard Franken while Mr. Arindam Ghosh was appointed as an Alternate Director to Mr. Andrew Pizzey.

At the Board meeting held on 17th October, 2008, Mr. Ravindra Kulkarni, is appointed as an Additional Director. He is appointed as a third Non executive Independent Director on audit committee.

Mr. S M Kulkarni and Dr Gerhard Franken are to retire at the ensuing AGM as they are retiring by rotation and being eligible have offered themselves for reappointment. Mr. Ravindra Kulkarni holds office up to the date of forthcoming Annual General Meeting as Additional Director and being eligible, has offered himself for reappointment.

Your Directors hereby confirm the compliance of conditions necessary for appointing Independent Director/s under Clause 49 of the Corporate Governance code prescribed under the listing agreement.

Quality systems and ISO certification

During the year the Company continues to observe all pre-requisites in maintaining the quality systems and standards and ISO audit methods as required within the certification and guidelines in this regard.

Corporate Governance

Your Company has implemented the clause 49 of Listing Agreement, popularly known as 'Corporate Governance clause', within the stipulated timeframe. Your Company has taken effective steps to meet with its compliance standards and takes a proactive approach and revisits its governance practices from time to time so as to fulfill business and regulatory needs.

Pursuant to Clause 49 of the Listing Agreement, Corporate Governance report and Management Discussion and Analysis Report for the year 2008 are attached separately as annexure to this report. The Auditor's certificate on compliance with Corporate Governance norms is also attached thereto.

Human Resource and Industrial Relations

The human resource development function of the Company is guided by a spirit of corporate team building and dedication towards strengthening the Company's systems thereby improving efficiencies and registering growth. All personnel continue to have healthy, cordial and harmonious approach in problem solving and enhancing company value at all levels. Despite severe economic trials, the enthusiasm and unstinting efforts of the employees has enabled the Company to maintain its leadership in its business areas.

Particulars of Employees

The information required under the provisions of Sec 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, forms part of this report.

Auditors

M/s. Price Waterhouse, Chartered Accountants, Mumbai, Statutory Auditors' of the Company hold office until the conclusion of Annual General Meeting and are eligible for reappointment. The company has received a certificate from M/s. Price Waterhouse, Chartered Accountants, under Section 224(1) of the Company's Act, 1956 confirming their eligibility and willingness to accept the office of the Statutory Auditors, if re-appointed.

Consumption of energy, technology absorption and foreign exchange earnings and outgo

A statement giving details of the conservation of energy, technology absorption, and foreign exchange earnings and outgo, in accordance with Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed hereto and forms part of this report.

Directors' Responsibility Statement Pursuant to Section 217(2AA)

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors based on the representation received from the operating management, confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed.
- ii) they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st December, 2008 and of the profit of the Company for the year ended on that date;
- iii) they have 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) they have prepared the annual accounts on a going concern basis.

Acknowledgements

The Directors would like to thank the shareholders, customers, dealers, suppliers, bankers, and all the other business associates for the continuous support given by them to the Company and their confidence in its management.

For and on behalf of the Board

Vadodara
Dated : February 12, 2009

Dr. Gerhard Franken
Chairman

Annexure I to the Directors' Report

Information as per Section 217(e) read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st December, 2008.

1. Conservation of energy

a) Energy conservation measures taken:

1. Optimized cooling water requirement in PBR plant and subsequently one of the two cooling water pumps stopped reducing the power consumption considerably.
2. Capacity Utilization of refrigeration plant in PBR plant optimized reducing the power consumption.
3. Cooling water recirculation pump stopped during cooling operation for graft reactors, by providing cooling water supply directly from central cooling tower resulting in less power consumption.
4. Power factor has been maintained high throughout the year by proper monitoring of the capacitor banks.
5. Continued use of steam condensate recovered from dryer section has resulted in the reduction of fuel & boiler feed water.
6. Recycling of treated waste water & continued operation of central vacuum system in compounding section has reduced water consumption.

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

c) Impact of measures at a) & b) above for reduction of energy consumption and consequent impact on the production of goods.

Reduction in specific energy and water consumption.

2. Total energy consumption and consumption per unit of production as per Form A

	Jan-08 to Dec-08	Jan-07 to Dec-07
Power and Fuel Consumption		
2.1 Electricity		
a) Purchased		
Units No.s	23,363,641	26,285,856
Total Amount (Rs ' 000)	139,765	140,729
Rate / Unit Rupees	5.98	5.35
b) Own Generation		
i) Through Diesel Generator		
Units	786,686	299,832
Units per Ltr. of Diesel Oil	321	274
Cost / Unit Rupees	11.78	12.63
ii) Through Steam Turbine/ Generator Units	NIL	NIL
Units per Ltr Of Fuel Oil/Gas	NIL	NIL
Cost / Unit Rupees	NIL	NIL
iii) Through Wind Turbine/ Generator Units	7,915,323	6,373,286
Amount (Rs. ' 000)	42,959	31,098
Rate per unit Rupees	5.43	4.88