

INEOS ABS

**38th Annual Report
January-December 2010**

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	Chairman Managing Director Director Director Director Director
VP (Finance)	D. J. Shah	
Company Secretary & VP (Legal)	S. M. Vaishnav	
Statutory Auditors	M/s. Price Waterhouse, Mumbai	
Bankers	State Bank of India ICICI 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. Vadodara, Phones : 0265-2840319, 2840285, 2840559, 2841010 Fax : 0265- 2840827	
Katol Plant	Halol-Kalol 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	Bayer Premises, 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.: Vadodara 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, B -102 & 103, Shangrila Complex, First Floor, Opp. HDFC Bank, Near Radhakrishna Char Rasta, Akota, Vadodara - 390 020. Phone : 0265-2252855. Fax : 2250246, E-Mail : vadodara@linkintime.co.in

NOTICE

NOTICE is hereby given that the 38th Annual General Meeting of the members of the Company will be held on Thursday, 5th May, 2011, at 11.30 a.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, 2010, Profit and Loss Account and Cash Flow Statement for the year ended on that date and report of the Directors' and Auditors' thereon.
2. To declare dividend on ordinary shares, if any.
3. To appoint a Director in place of Mr. S M Kulkarni, who retires by rotation and, being eligible, offers himself for re- appointment.
4. To appoint a Director in place of Dr. Gerhard Franken, who retires by rotation and, being eligible, offers himself for re- appointment.
5. To consider appointment of M/s Price Waterhouse, Chartered Accountants, Mumbai, as Statutory Auditors of the Company.

(B) SPECIAL BUSINESS :

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution.

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309 & 310 read with Schedule XIII and other applicable provision(s) if any of the Companies Act, 1956 and in accordance with the Memorandum & Articles of Association of the Company, consent of the Members be and is hereby accorded to appoint Mr. R S Agrawal as a Managing Director, for a period of one year from 1st January, 2012 to 31st December, 2012 (both days inclusive) on the terms and conditions alongwith the remuneration, powers and duties to be exercised by him as approved by the Board.

The major terms and conditions are as follows :

- I. The agreement hereunder shall be operative with effect from 1st January, 2012 upto 31st December, 2012.
- II. Mr. R S Agrawal shall be appointed as the Managing Director and he shall serve the Company as the Managing Director of the Company, subject to the superintendence, control and direction of the Board of Directors of the Company for the period from 1st January, 2012 to 31st December, 2012 on the terms and conditions hereinafter contained.
- III. The Managing Director, unless prevented by ill health, shall throughout the said term devote his attention and ability to the business of the Company and shall perform such duties and exercise such powers as shall from time to time be assigned to or vested in him by the Board of Directors and shall comply with the orders, directions and regulations from time to time of the Board of Directors of the Company and shall well and faithfully serve the Company and use his utmost endeavour to promote the interests thereof.
- IV. The Managing Director shall, be entrusted with substantial powers of management and shall also perform such other duties as shall be entrusted to him from time to time by the Board including the powers exercisable under the Articles of Association of the Company.
- V. The Company shall, subject to the condition that taxes shall be paid by him, pay and provide to him the following remuneration :-
 - A) A basic salary of Rs. 11,25,000 /- p. m.
 - B) House rent allowance of Rs. 3,75,000 /- p.m.
 - C) Monetary value of perquisites at maximum: Rs. 3,00,000 /- per year (being soft/hard house furnishing and utilities charges and others).
 - D) Annual Performance Bonus / Award : An amount as may be decided by the Board from time to time, which shall be at the discretion of the Board.

In the event that during the tenure of the present agreement, the statutory restrictions contained in the Company Law / or Corporate Laws are removed or amended by the Government, the Board will be at liberty to decide such variation in terms as may be deemed necessary.

 - E) Other Perquisites :
 - i) Contribution to Provident Fund as per the rules of the Company and the same will not be included in the computation of the ceiling on perquisites to the extent these, either singly or put together, are not taxable under the Income Tax Act, 1961.

- ii) Two Company maintained cars for use on Company's business including the drivers' salary for both the cars, not exceeding Rs.10,000 /- per month.
- iii) Reimbursement of telephone expenses as per the rules of the Company.

VI. Minimum Remuneration

In the event of absence or inadequacy of profits in any accounting year of the Company, the salary of Rs.11,25,000 /- pm., as well as statutory benefits aforesaid, shall be paid as minimum remuneration to Mr. R S Agrawal during his tenure of his office as Managing Director of the Company, subject to statutory approvals, if any, and the overall remuneration by way of salary and perquisites shall be subject to the ceilings and the conditions as set out in Section II of Part II of Schedule XIII of the Companies Act, 1956.

RESOLVED FURTHER THAT Mr. R S Agrawal shall not be liable to retire by rotation during his tenure as Managing Director of the Company.

RESOLVED FURTHER THAT the Board may, subject to approval of the members at the general meeting and other requisite approvals, if required, increase, augment, vary and modify the remuneration payable and the benefits and amenities provided to Mr. R S Agrawal including the monetary value thereof, upto the limits prescribed in that behalf under or pursuant to the Companies Act, 1956 or any statutory amendment, modification or re-enactment thereof from time to time in force and/or the guidelines in Managerial Remuneration issued by the Government of India, Ministry of Corporate Affairs, from the date the statutory amendment, modification, re-enactment and/or the Guidelines come into force."

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution.

"RESOLVED THAT pursuant to the provisions of section 198, 309(4) and other applicable provisions, if any, of the Companies Act, 1956, the consent, be and is, hereby accorded to the payment of a sum not exceeding 1% of net profits of the Company and subject to a maximum limit of Rs. 3,00,000 (Rupees three lakhs) to each non-executive independent director per annum or such other sum as may be approved by the Board of Directors from time to time calculated in accordance with the provisions of sec 198, 309 and 350 of the Companies Act, 1956, by way of a commission to the Company's non executive independent directors, in addition to the sitting fees paid to them for attending the meetings of the Board of Directors and its committee(s), in such manner as may be determined by the Board from time to time for a period not exceeding 3 years commencing from 1st January, 2010.

Registered office :
6th floor, ABS Towers,
Old Padra Road,
Vadodara-390007
February 17, 2011

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 should be deposited with the Company at its registered office 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. An explanatory statement relating to Item No. 6 and 7 as required under Section 173(2) of the Companies Act, 1956, is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, 25th April, 2011 to Friday, 29th April, 2011, (both days inclusive).
4. Members are requested to notify immediately change in their address, if any, to their Depository Participants (DPs) in respect of their electronic share accounts quoting Client ID No. and to Link Intime India Private Limited, the Company's Registrars and Transfer Agent in respect of their physical shares, quoting Folio No.
5. Payment of dividend as recommended by the Directors, if declared at the meeting, will be made on 10th May, 2011, to the members whose names stand on the Company's Register of Members on 25th April, 2011.
6. Payment of Dividend will be made through National Electronic Clearing Service (NECS) at the RBI Centres by crediting the dividend amount to the Bank of the shareholders wherever relevant information is made available to the Company. Members holding shares in physical form and covered under RBI centres, who have not furnished requisite information and who wish to avail of the NECS facility to receive dividend from the Company, may furnish the information to Link Intime India Pvt. Ltd, the Registrars and Transfer Agents. The members holding shares in electronic form may furnish the information to their Depository Participants, in order to receive dividend through NECS mechanism.

7. Pursuant to the provisions of Section 205C of the Companies Act, 1956, the amounts of dividends remaining unclaimed for a period of seven years are to be transferred to the Investors' Education and Protection Fund.

The details of dividend declared for the year 2003 onwards are given below :

Financial Year	Div Rate(%)	In Rs.	Last date for claiming
2003	25	2.50	30 th April, 2011
Sp.Div 2004	80	8.00	24 th Feb, 2012
2004	25	2.50	12 th May, 2012
2005	25	2.50	5 th May, 2013
2006	30	3.00	4 th May, 2014
2007	30	3.00	24 th April, 2015
2008	25	2.50	29 th April, 2016
2009	35	3.50	3 rd May, 2017

Members, whose dividend has remained unencashed / unclaimed for the above years, are requested to write to the Company for claiming of unpaid / unclaimed dividend before such unclaimed / unencashed dividend is transferred to the Investors' Education and Protection Fund at the specified date.

8. 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.
9. 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.
10. 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.
11. 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.

The brief resumes of the directors seeking reappointment and other information as per Clause 49 of the Listing Agreement with Stock Exchanges are provided herein below.

Name of Director	Mr. S M Kulkarni	Dr. Gerhard Franken
Age (Yrs.)	72	60
Date of Appointment	8.2.2005	13.3.2008
Experience (Yrs.)	45	35
Qualification	Bachelor in Engineering	Ph. D in Process Engineering
List of Public Companies in which directorship held as on 31.12.2010	<ul style="list-style-type: none"> INEOS ABS (India) Ltd. Bayer Crop Science Ltd. Hindustan Construction Ltd. KEC International Ltd. Navin Flourine International Ltd. Camlin Fine Chemicals Ltd. HCC Real Estate Ltd. Raychem RPG Ltd. RPG Enterprises Ltd. HCC Realty Ltd. Lavasa Corporation Ltd. 	<ul style="list-style-type: none"> INEOS ABS (India) Ltd.
Committee Chairmanship / Membership held as on 31.12.2010	Audit Committee Chairman <ul style="list-style-type: none"> Bayer Crop Science Ltd. INEOS ABS (India) Ltd. Hindustan Construction Co. Ltd. Camlin Fine Chemicals Ltd. HCC Real Estate Ltd. 	

	<u>Member</u> <ul style="list-style-type: none">• KEC International Ltd.• Navin Flourine International Ltd.	
	Shareholder's Grievance Committee	
	<u>Member</u> <ul style="list-style-type: none">• Bayer Crop Science Ltd.	
	Remuneration Committee	
	<u>Member</u> <ul style="list-style-type: none">• INEOS ABS (India) Ltd.• Hindustan Construction Co. Ltd.• Bayer Crop Science Ltd.• KEC International Ltd.• Navin Flourine International Ltd.• Camlin Fine Chemicals Ltd.	
	ESOP's Allotment Committee	
	<u>Member</u> <ul style="list-style-type: none">• Hindustan Construction Co. Ltd.	

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956, SETTING OUT THE MATERIAL FACTS RELATING TO BUSINESS UNDER ITEM NOS. 6 AND 7 AS SET OUT IN THE NOTICE.

ITEM NO. 6 :

The shareholders at the 37th Annual General Meeting of the Company held on 27th April, 2010 had approved appointment of Mr. R S Agrawal as managing director of the Company for a period of 2 years with effect from 1st January, 2010 to 31st December, 2011. The said period of appointment expires on 31st December, 2011. In order to continue to avail of the benefit of service of Mr. R S Agrawal, the Board of Directors of the Company at their meeting held on 17th February, 2011 has reappointed him for a further period from 1st January, 2012 to 31st December, 2012 (both days inclusive) subject to the approval of the members in the general meeting on the terms and conditions set out in the notice.

The Company shall enter into an agreement with Mr. R S Agrawal detailing the terms and conditions of appointment alongwith powers, duties and remuneration payable to him as detailed in the notice. The Directors recommend the resolution as set out in item no. 6 of the notice for your approval.

The Government of India, Ministry of Corporate Affairs has in past indicated intention of reducing/removing the limits on the remuneration payable to the senior managerial personnel at the Board level. As and when the amendments / notifications are introduced, the Board would suitably reflect on the same and seek amendments as desirable. Thus in the event that during the tenure of the present agreement, if the statutory restrictions within Company Law/or Corporate Laws stand removed/reduced with Government amending the same, the Board will be at liberty to decide reflecting such variation in terms as may be deemed necessary.

None of the Directors except Mr. R S Agrawal are interested or concerned in the said resolution.

Agreement relating to appointment of Managing Director is open for inspection on any working day between 11.00 a.m. to 1.00 p.m. at the Registered Office of the Company.

This may be treated as an extract as required under section 302 of the Companies Act, 1956.

ITEM NO. 7 :

The articles of association of the Company and Sec. 198, read with 309 and other applicable provisions of the Companies Act, provides that the Company with the shareholders approval may fix a sum as commission payable to the directors other than the executive director or promoters nominees for such sum as may be approved.

Corporate Governance mandates appointing of Independent Directors who have requisite corporate management experience to effectively guide and advise the Company's functioning and growth. As the members are aware we have been observing complete compliance in this regard and have three Independent Directors appointed on our Board. The Independent Directors with their experience in industry and business matters have greatly contributed to deliberations and decisions specially relating to their functional expertise. This has helped Company in shaping strategy and guiding its business.

Your Board has considered it appropriate to make the annual payment in the form of commission subject to the approval of the shareholders and disclosures/compliance if any.

None of the Directors except Mr. S M Kulkarni, Mr. Jal R Patel and Mr. Ravindra Kulkarni are interested or concerned in the said resolution.

This may be treated as an extract as required under section 302 of the Companies Act, 1956.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting herewith their 38th report together with the Audited Accounts and Auditors' Report for the year ended 31st December, 2010.

Financial Performance

The financial performance of your Company for the year ended 31st December, 2010 is indicated below :

(Rs. In '000)

Particulars	2010	2009
Sales in MTs	66,292	63,443
Sales and other operating Income	8,160,126	6,062,110
Other Income	54,823	44,473
Total Income	8,214,949	6,106,583
Gross Profit before Interest, Depreciation & Tax	1,166,639	894,144
Less : Interest	-	-
Less: Depreciation	139,779	144,853
Profit Before Tax	1,026,860	749,291
Less: Provision for Tax	348,000	300,800
Less: Provision for Deferred Tax	(21,440)	(41,410)
Net Profit After Tax	700,300	489,901
Add: Balance of Profit Brought Forward	1,544,784	1,175,897
Amount Available for Appropriation	2,245,084	1,665,798
Appropriations:		
Proposed Dividend	70,343	61,550
Tax on Proposed Dividend	11,683	10,464
Transfer to General Reserve	72,500	49,000
Balance of Profit Carried Forward	2,090,558	1,544,784
EPS (Basic)	39.82	27.86
(Diluted)	39.82	27.86

Review of operations

The net sales during the year amounted to Rs 816.01 Cr. (Prev. year Rs. 606.21 Cr).The Operating profit of the Company amounts to Rs. 116.66 Cr. reflecting an increase by 130 % (Prev year Rs. 89.41 Cr) and the net profit has increased to Rs. 70.03 Cr. (Prev. year Rs. 48.99 Cr).

The earning per share increased to Rs. 39.82 from Rs. 27.86 last year.

The Company has not increased it's share capital and it remains unchanged at Rs. 17.56 Cr.

Your Board of Directors is pleased to record Company's debt free status for the eighth year in succession.

The Raw material prices continued to be highly volatile and at times during the year the availability of certain raw materials was irregular. Monsoon flooding caused further disruption in the production and consequently expansion related activities were delayed.

Despite the constraints, the Company has managed to grow and expand it's capacities. With effective monitoring of supplies among various customers and supplying preferred grades to meet their demands, the Company was able to manage and optimize price realization and increase in sales.

The automotive industry and durable goods sectors continued their growth in line with the past trend. This has enabled your Company's products to be in good demand. There have been instances of customers resorting to polymer substitution albeit to a very low extent due to high prices and uncertainties in supplies.

Your Company feels confident to maintain it's market leadership and hopes to register improved performance in the current year also.

Dividend

The Board of Directors recommends a dividend of Rs. 4.00 per equity share of Rs.10 each. This dividend is subject to the members' approval at the forthcoming Annual General Meeting to be held on 5th May, 2011. The Dividend once approved will be paid to all those shareholders', whose names appear in the Register of Members as on 25th April, 2011. Last year the Company paid dividend of Rs. 3.50 per equity share of Rs. 10 each.

The shareholders may take note of the General shareholder information which forms part of Corporate Governance Report.

Transfer to the Investor Education and Protection Fund

In terms of Section 205C of the Companies Act, 1956, the unclaimed dividend relating to the financial year ended on 31.12.2003 is due for transfer on 30th April, 2011 to the Investor Education and Protection Fund established by the Central Government.

Contribution to the National Exchequer

A sum of Rs.134.26 Cr. on account of central excise duty, direct and indirect taxes and state taxes was paid to the National Exchequer during the year under review.

Expansion / Modernization

Your Company is in an advanced stage of implementing 110,000 MTs capacity for which capital expenditure will be met through internal accruals and all Engineering details and preparations have already been made.

Research and Development

The R & D Centre meets with market needs helping the Company to improve upon the laid out standards. Continuous improvement in product and process studies has helped better quality standards.

INEOS ABS is geared to contribute to R & D capabilities globally and hopes to become an important hub for such related activities.

The Company's after sales services to customers results in improved customer bonding and long term relationship ensuring mutual benefits.

Risk Management

The Company has in place a mechanism to inform the Board about risk assessment and minimization procedures, steps taken and periodical review every quarter to ensure that management controls risks through a properly defined framework of risk management and mitigation procedures.

Health, Safety and Environmental Protection

Your Company gives highest importance to Environment, Health and Safety. It encourages and promotes EHS awareness as an integral part of the work culture in the Company and in line with the safety, health and environment policy laid down by the Company.

The Company is ISO: 14001:2004 (Environment Management System) certified. The environment has been maintained as per the statutory requirements and required safety standards are being ensured in all operations of the Company. A Green belt in and around the premises is maintained.

The Company has in the current year obtained Environment Clearance and Consolidated Consent and authorization from regulatory authority for production of 40000 MT / Annum of HRG powder production.

Insurance

Your Company's assets are adequately insured against risk from fire, riot, earthquake, terrorism, loss of profits. and other risks which are considered necessary by the management.

As an additional coverage, a statutory Public Liability Insurance Policy has been taken to cover public liability arising out of industrial accidents. INEOS ABS group has covered through a global insurance cover, the Directors' and Officers' liability under the Indian Companies Act.

Directors

Mr. R S Agrawal, the present Managing Director's, term expires on 31st December, 2011. The Board of Directors at the meeting held on 17th February, 2011 has considered reappointing Mr. Agrawal as a Managing Director for a further term of one year i.e. from 1.1.2012 to 31.12.2012. The remuneration terms have been considered by the Remuneration Committee and approved by the Board. A separate agenda item in the notice has been placed for consideration of the members. The proposed resolution gives details relating to the reappointment terms, remuneration and powers delegated.

Mr. S M Kulkarni and Dr. Gerhard Franken, Director/s of the Company are to retire by rotation at the ensuing Annual General Meeting. Being eligible, they have offered themselves for reappointment and the Board recommends their reappointment/s.

The Directors have steered the Company through a significant growth phase over the years. The Company has a clear strategy and its business model is robust. In addition to sitting fees, it is proposed to pay remuneration of Rs. 3 lakhs each to Mr. Sharad Kulkarni, Mr. Jal R. Patel and Mr. Ravindra Kulkarni, - Independent Directors, by way of commission for a period not exceeding 3 years commencing from 1st January, 2010.

The above commission is within the permissible limits of the net profits of the year to be calculated in accordance with the provisions of the Companies Act, 1956.

The commission is proposed to be paid to them for their valuable contribution at the Board and its committee meetings as well as time spent on matters other than at the meetings.

Your Directors hereby confirm compliance of conditions necessary for appointing Independent Director/s under Clause 49, as amended, of the Corporate Governance Code prescribed under the Listing Agreement.

Auditors and their report

The Auditors report and the notes forming part of the Accounts are self explanatory and need no comments.

M/s. Price Waterhouse, Chartered Accountants, Mumbai, Statutory Auditors' of the Company will retire at the conclusion of ensuing Annual General Meeting and being eligible offer themselves for reappointment. The Company has received a certificate from the auditors to the effect that their re-appointment, if any, would be in accordance with the provisions of Section 224(1B) of the Companies, Act, 1956. The Directors recommend the re-appointment of M/s. Price Waterhouse, Chartered Accountants, Mumbai.

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.

Quality Systems and ISO certification

During the year the Company continued to observe all pre-requisites in maintaining the Quality and Environment Management systems (ISO Standards), certified by DQS-UL, India.

During the year, System Assessments for ISO 9001:2008 and ISO 14001:2004 certifications were also successfully completed.

Corporate Governance

Your Company has implemented clause 49 of Listing Agreement, known as 'Corporate Governance', within the stipulated timeframe and has taken effective steps to meet with its compliance standards. A proactive approach and regular adherence to governance practices from time to time ensures higher confidence at all levels of Company's personnel.

The Statutory Auditor's Certificate in accordance with Clause 49 of the Listing Agreement and report on Corporate Governance is annexed to and forming part of the Director's Report.

Mr. R S Agrawal, Managing Director and Mr. D J Shah, Chief Financial Officer have given a certificate to the Board as contemplated in sub-clause V of clause 49 of the Listing Agreement.

Management Discussion and Analysis

A Management Discussion and Analysis Report for the year 2010 as required under Clause 49 of the Listing Agreement is annexed and forming part of the Directors Report.

Human Resource Development and Industrial Relations

The Board is pleased to record that the Industrial relations continue to be cordial and employees across all levels have significantly contributed towards Company's overall efficiency and productivity. Continuous HR interaction has led to a healthy environment and forged a relationship of mutual trust.

Human resource development activities have helped in developing an employee network with a spirit of corporate team building and dedication towards increasing efficiencies and higher growth. All personnel continue to have a healthy, cordial and harmonious approach in problem solving and enhancing Company value at all levels. Despite challenging times, the enthusiasm and unstinting efforts of the employees ensures the Company's leadership in its business areas.

Particulars of Employees

Particulars of employees, as required under Sec. 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, form part of this Report. However, in pursuance of Sec. 219 (1)(b)(iv) of the Companies Act, 1956, this report is being sent to all the shareholders of the Company, excluding the aforesaid information and the said particulars are being made available at the Registered Office of the Company. Members intrested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

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

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors based on the representations 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 judgments 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, 2010 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

Your Board of Directors thank all the stakeholders - 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
February 17, 2011

Dr. Gerhard Franken
Chairman