

22nd ANNUAL REPORT

2007 - 2008



Manali Petrochemical Ltd

**BOARD OF DIRECTORS
(As on 15th July, 2008)**

Dr.A.C. MUTHIAH	Chairman
ASHWIN C MUTHIAH	Director
BABU K VERGHESE	Director
G. RAGHAVENDRAN	Director
M. SIVAGNANAM	Director
B. VISWABARATHY (Nominee of TIDCO)	Director
G. RAMACHANDRAN	Managing Director
K. K. RAJAGOPALAN	Director (Finance)

AUDIT COMMITTEE

M. SIVAGNANAM	Chairman
G. RAGHAVENDRAN	Director
B. VISWABARATHY (Nominee of TIDCO)	Director

COMPANY SECRETARY

G.S. LAKSHMI NARASIMHAN

AUDITORS

M/s Deloitte Haskins & Sells, Chennai

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 AGENTS

M/s Cameo Corporate Services Limited

"Subramanian Building"

No.1, Club House Road, Chennai 600 002

Phone : 28460390 - 394 & 28460718

Fax : 28460129

Email : cameosys@satyam.net.in



NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 22nd 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 Saturday the 20th September 2008 at 10.35 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 2008 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. M.Sivagnanam, who retires by rotation and being eligible offers himself for re-election.
4. To appoint a Director in the place of Mr. K.K.Rajagopalan, who retires by rotation and being eligible offers himself for re-election.
5. To consider and if thought fit, to pass, with or without modification, the following Resolution as an ORDINARY RESOLUTION:
“RESOLVED THAT pursuant to Section 224 of the Companies Act, 1956, M/s. Deloitte Haskins and Sells, Chartered Accountants, Chennai, the retiring Auditors, be and are hereby re-appointed as Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on a remuneration to be fixed by the Board of Directors of the Company in connection with the Company's Audit.”

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass, with or without modification, the following Resolution as an ORDINARY RESOLUTION:
“RESOLVED THAT Mr. Babu K. Verghese whose period of office shall be liable to determination by retirement of Directors by rotation, be and is hereby appointed a Director of the Company.”
7. To consider and, if thought fit, to pass, with or without modification, the following as an ORDINARY RESOLUTION:
“RESOLVED THAT Mr. B. Viswabarathy whose period of office shall be liable to determination by retirement of

Directors by rotation, be and is hereby appointed a Director of the Company.”

8. To consider and if thought fit, to pass, with or without modification, the following as a SPECIAL RESOLUTION:
“RESOLVED THAT pursuant to Article 146 of the Articles of Association of the Company and the provisions of Section 198, 269, 309, 314 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications and / or re-enactments of the Companies Act and / or any notification which the Central Government may issue from time to time) and subject to the approval of the Central Government, if necessary, and such other approvals as may be required and such alteration / modification, if any, that may be effected by the above mentioned bodies in that behalf, approval of the members be and is hereby accorded for the re-appointment of Mr. K.K. Rajagopalan, Whole Time Director in charge of Finance of the Company for the period from 01.10.2008 to 30.09.2010 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 10.09.2008 to 20.09.2008 (both days inclusive).
 5. Members are requested to furnish the details of their nomination (if not already sent) in the necessary Form to the Registered office of the Company.
 6. To avoid postal delays, misplacement and fraudulent encashment of the dividend warrants, the company is extending remittance of dividend through Electronic Clearing Service (ECS) facility. Members who wish to avail this facility are requested to use the form for this purpose which is available on the company's website "www.manalipetro.com" and send the same to our Registrar, M/s. Cameo Corporate Services Limited, Chennai.
 7. Relevant explanatory statement of material facts pursuant to Section 173(2) of the Companies Act, 1956 in respect of item nos.6 to 8 of the notice is annexed hereto.

Date : 15.07.2008
Registered Office:
SPIC HOUSE
88 Mount Road,
Guindy,
Chennai - 600 032.

By Order of the Board
For **MANALI PETROCHEMICAL LTD.,**

G S LAKSHMI NARASIMHAN
COMPANY SECRETARY

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT FOR ITEM NOS.6,7 & 8 (Pursuant to Section 173(2) of the Companies Act, 1956)

Item No.6

Mr. Babu K. Verghese was appointed as an additional Director of the Company by the Board of Directors at the meeting held on 28th January 2008 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 29.10.2007. Mr. Babu K. Verghese 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. Babu K. Verghese as a Director of the Company, liable to retirement by rotation.

The Board commends the election of Mr. Babu K. Verghese as Director of the company for the approval of Members.

Memorandum of Interest:

None of the Directors are interested in the resolution except Mr. Babu K. Verghese.

Item No.7

Mr. B. Viswabarathy was appointed as an additional Director of the Company by the Board of Directors at the meeting held on 15th July 2008 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 11.07.2007. Mr. B. Viswabarathy 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. B. Viswabarathy as a Director of the Company, liable to retirement by rotation.

The Board commends the election of Mr. B. Viswabarathy as Director of the company for the approval of Members.

Memorandum of Interest:

None of the Directors are interested in the resolution except Mr.B. Viswabarathy.

Item No.8

Mr.K.K.Rajagopalan is an engineering graduate with post graduation in Management from Indian Institute of Management, Bangalore, with specialisation 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 35 years of experience in the industry. He is also a Director in the following companies, namely, M/s. Indital Chemicals Ltd, M/s.Chip Test Labs Limited, M/s.Brainwave Biosolutions Ltd, & M/s.Trinity Auto Points Ltd.

Mr.K.K.Rajagopalan was appointed as a Whole Time Director incharge of Finance of the Company for a period of 5 years with effect from 20.04.2000. He was re-appointed 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 members in the AGM held on 01.09.2007 approved his current remuneration package, which is valid till his tenure up to 30.09.2008

The remuneration committee which was constituted by the Board of Directors in their meeting held on 17.04.2008 recommended



to the Board, the continuation of the services of Mr.K.K.Rajagopalan, Director (Finance) for a further period of 2 years, which was also approved by the Board in the meeting held on 17.04.2008. The terms & conditions will continue to remain the same, as approved by the members in the last AGM held on 01.09.2007 :-

- (1) Salary of Rs.80,000/- per month.
- (2) Performance Linked Pay of Rs.8.00 lakhs per annum.
- (3) Allowance & Perquisites shall be allowed in addition to both salary and performance linked pay. However, it shall be restricted to an amount equal to Rs.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, the 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 :

- a) Encashment of Leave

Date : 15.07.2008
Registered Office:
SPIC HOUSE
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Guindy,
Chennai - 600 032.

As per Rules of the Company.

- b) Car
Provision of Company's car with driver for business and personal use.
- c) Telephone
Provision of telephone at residence.
- d) 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 limits on 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, if so required.

The Board commends the resolution for the approval of members.

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.

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
22nd Annual General Meeting.**

- Mr. M.Sivagnanam** was appointed as a Director on the Board effective 26.12.1989. He was the Chief Secretary to the Government of Gujarat . He was the Managing Director of Gujarat Narmada Valley Fertilizers Ltd. He was the Chairman of the Gujarat State Construction Corporation, Gujarat Mineral Development Corporation and Gujarat Electricity Board. He was a Director of IPCL and a Member of the Board of Governors of IIM, Ahmedabad. He was instrumental in the successful implementation of several industrial projects in Gujarat. He was also the Advisor to the Central Planning Commission and in charge of industrial policy and the Advisor, State Plan for Southern States. He was also a member of the Tamilnadu State Planning Commission.
Mr.M.Sivagnanam does not hold any equity shares of the Company.
- 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 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.

- Mr. B. Viswabarathy** was appointed as an Additional Director by the Board on 15.07.2008 with effect from 11.07.2008. He is the Senior General Manager (Finance) of Tamilnadu Industrial Development Corporation Limited (TIDCO), Chennai. Mr. B. Viswabarathy holds a Bachelor Degree in Commerce and is an Associate member of the Institute of Chartered Accountants of India. Mr. B. Viswabarathy is also a nominee Director in DCM Hyundai Limited.
Mr. B. Viswabarathy does not hold any equity shares of the Company.
- Mr. K.K. Rajagopalan** - Please refer item no. 8 under explanatory statement in pages 2 & 3.

DECLARATION

To

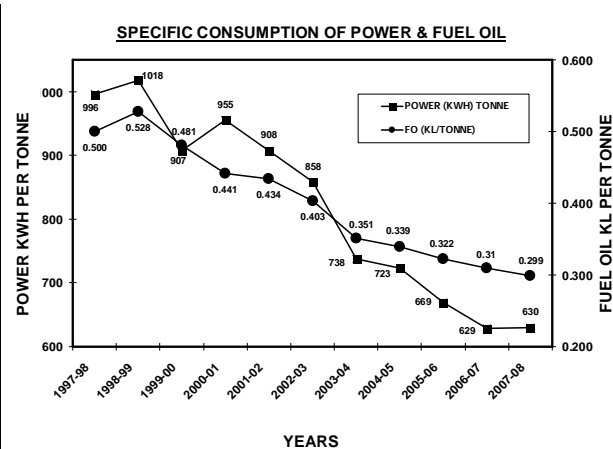
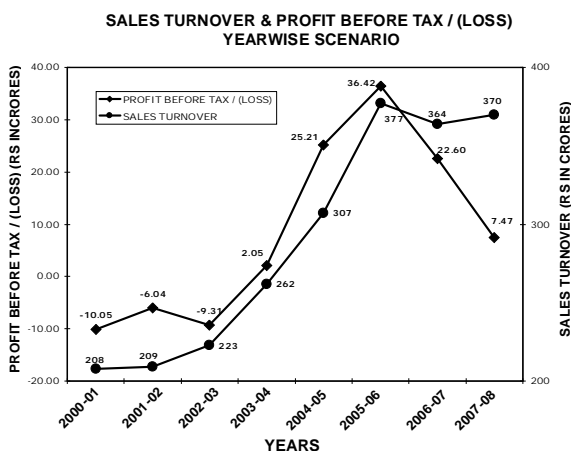
The Members of the Manali Petrochemical Ltd

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

Place : Chennai

Date : 17th April, 2008

G. RAMACHANDRAN
MANAGING DIRECTOR





REPORT OF THE DIRECTORS AND MANAGEMENT DISCUSSION & ANALYSIS

To

The Shareholders

The Directors present their 22nd Annual Report on the business and operations of your company and the Audited Statement of Accounts for the year ended 31st March 2008.

FINANCIAL RESULTS

(Rs in Crores)

DESCRIPTION	2007-08	2006-07
Profit Before Interest and Depreciation	17.43	31.61
Interest	(0.04)	(1.31)
Depreciation	10.00	10.32
Profit Before Tax	7.47	22.60
Provision for Taxation	1.46	7.61
Profit After Tax	6.01	14.99
Cash Profit	16.85	30.76

During the year, your company achieved a profit before tax of Rs.7.47 Crores and a profit after tax of Rs.6.01 Crores. During the financial year the quantum of production and sales increased by 2% and 4%. However, the increase in turnover was only Rs.5 Crores due to steep fall in selling prices of the product. Selling prices are a function of the customs duty and the dollar to rupee parity, which determine the landed cost of competing imported products. The customs duty was reduced during March 2007 by 5% and the rupee also appreciated sharply by 11% around the beginning of the financial year and thus these factors had a significant effect on the selling prices of the product, which reduced the turnover, even though the quantum of production and sales have gone up. Similarly, the significant increase in cost of petroleum inputs without any corresponding increase in the selling prices of our end products, resulted in a decreased profit. The trend of the profits and sales turnover for the past few years are summarized in the graph depicted in Page No : 4.

OPERATIONAL HIGHLIGHTS

Production and sales further improved during the year with more than 100% capacity utilization as per the trend set over the last five years. Higher production levels helped the company to offset the adverse impact of lower selling prices of finished products and increase in raw material and fuel oil prices. Due to improved market conditions, your company improved the sales matching with the improved production.

Due to the improved production and various energy & cost saving measures implemented over the years, the specific consumption of power, fuel oil and fresh water have been brought down considerably. But for this effort, cost of production would have been far higher. Continuous efforts are being done to improve further. The details of specific consumption of power & fuel oil are depicted in Page No : 4.

DIVIDEND

Your Directors have great pleasure in recommending a 10% dividend on the issued and paid-up equity share capital of the Company, aggregating Rs.8.60 crores.

MARKET SCENARIO

Sale of propylene glycol registered a new record of 17502 MT for the year 2007-08 and a 7% increase over the sales achieved in the previous year, which was at 16359 MT. The polyol sales however

encountered difficulties due to continued supply restrictions of Toluene Di-Isocyanate, the complimenting raw material required in the production of PU foam. The flexible moulded market improved with MDI based system. The new multinational system houses have started offering products at very competitive prices and your company is also aggressively marketing the cold cure systems. This situation also opened up avenues for sale of base polyol to these system houses.

The sale of rigid polyols has further improved with several new panel manufacturers sourcing the product from the company.

FUTURE OUTLOOK AND NEW PRODUCTS

The usage of polyurethanes in India is growing at more than 12% and with India becoming a hub for automotive products, your company is confident of not only maintaining but also to improve the operational performance.

OPPORTUNITIES AND THREATS

Customs duties are already at very low levels and the Indian rupee has also appreciated by more than 11%. Your company has withstood the above challenges successfully. The positive market conditions and the possibility of improving prices provide a great opportunity to your company to expand the capacity and supply polyol to the new system houses that have started production in India. The restrictions posed by the limited availability of TDI is a growing concern and can be tackled only with increased production from the indigenous manufacturer.

RISKS AND CONCERNS

Chennai Petroleum Corporation Ltd (CPCL) as a single supplier of propylene is a risk and the chemical terminal at Ennore would probably help your company to manage any unforeseen outages of the propylene plant to maintain continuous supply of products to the customers.

The continuously appreciating rupee is a great concern and further appreciation would definitely hamper the profitability of the company significantly, as the selling price of the end products is a direct function of the rupee dollar parity. Most of the multinational companies are maintaining tank terminals in Singapore from where products are sold in dollar terms to India and the effect of any duty reductions or appreciation of the Indian rupee has to be encountered immediately, keeping in mind the very short transportation time between Singapore and Indian Ports. The rising inland transportation cost in India through road and frequent disturbances of traffic due to various reasons are also matters of growing concern.

ENVIRONMENT AND SAFETY

Your company was re-certified during June 2005 for both ISO-9001 and ISO-14001. Continuous periodic and bi-annual Surveillance Audits are being conducted. The last Surveillance Audit was done on 26th March 2008 and the next audit will be a Re-certification Audit to be conducted by end of August 2008.

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

Your company continues to recruit Engineering / Diploma graduates under the training scheme and after the required training, inducts them into the permanent services of the company to fill up the vacancies created by migration of manpower to IT sector and also to petrochemicals sector in the middle east / western India. For non-critical areas, as is already being done, services of the machinery suppliers themselves are utilized. As of 31st March 2008, your company had 346 number of employees on its roll including the fresh engineers and technicians recruited recently.

PARTICULARS OF EMPLOYEES

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

DIRECTORS

Tamilnadu Industrial Development Corporation (TIDCO) nominated Mr.S.Susai, their Chief General Manager and Company Secretary as a Director on the Board of your company under Section 260 of the Companies Act, 1956 with effect from 4th October 2007 in place of Mr.T.Willington. Again on 11th July 2008, TIDCO nominated Mr. B.Viswabarathy their Senior General Manager (Finance) in place of Mr. S.Susai.

Mr.C.V.R.Panikar, Mr. Ar Rm Arun and Mr. M.H.Avadhani Directors resigned from the Board with effect from 19th September 2007, 20th March 2008 and 17th April 2008 respectively due to personal reasons. Mr. Babu K. Verghese was inducted by the Board as an Additional Director under Section 260 of the Companies Act, 1956 with effect from 29th October 2007.

The Board wishes to place on record the valuable services rendered by Mr.T.Willington, Mr. C.V.R. Panikar, Mr. Ar Rm Arun, Mr. M.H. Avadhani and Mr. S. Susai during their tenure as Directors of the company.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (i) That in the preparation of the annual accounts for the financial year ended 31st Mar. 2008, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) That the Directors had selected such accounting policies and applied them consistently and made 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.
- (iii) That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- (iv) That the Directors had prepared the accounts for the financial year ended 31st Mar. 2008 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.

COMPULSORY DEMAT

As announced by SEBI vide its Circular Ref. No.SMDRP / POLICY / CIR-9 / 2000, dt. 16.2.2000, the shares of the Company are traded compulsorily in dematerialised form by all investors with effect from 8.5.2000. 49.96% of shares of your company have been dematted compared to 48.48% 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 2007-2008.

AUDITORS

Your Company's statutory Auditors M/s. Deloitte Haskins & Sells, Chartered Accountants, Chennai, retire at the conclusion of this Annual General meeting and are eligible for re-appointment.

ADEQUACY OF INTERNAL CONTROLS

Your company has installed adequate internal control systems in combination with delegation of powers. The control system is also supported by internal audits and Management reviews with documented policies and procedures.

ACKNOWLEDGEMENT

Your Directors express their grateful thanks for the assistance, co-operation and support extended to the Company by the Government of India, the Government of Tamilnadu, TIDCO, SPIC, the Promoter and the Consortium of Banks. The Directors wish to thank particularly the shareholders for their continued 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

DR.A.C.MUTHIAH
CHAIRMAN

Place : Chennai
Date : 15th July, 2008



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 2008.

A) CONSERVATION OF ENERGY

a) Energy conservation measure taken :-

- ✦ Implement an in-house technology for treatment of Polyol has been installed at Plant-I.
- ✦ Installation of structured packing in PG evaporator columns at Plant-I.
- ✦ New Cooling tower replacing the old tower at Plant-II.

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

- ✦ Revamping the PG Plant at Plant-II.
- ✦ Biomass Based Cogeneration Power Project.

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

- ✦ Impact of energy conservation and productivity improvement measures at (a) on the cost of production of the goods to be in the order of Rs.60 lakhs per annum.
- ✦ The savings envisaged by implementing the energy conservation measures as at (b) for reduction of energy and consequent impact on the cost of production of goods to be in the order of Rs.500 Lakhs per annum.

FORM – A (See Rule-2)

	Year Ended 31.03.2008	Year Ended 31.03.2007
(A) Power and Fuel Consumption		
1. ELECTRICITY		
a) Purchased		
Units	26644029	26014880
Amount (Rs) (i.e.cost paid to TNEB)	11,40,82,697	11,23,17,310
Rate per Unit (Rs.)	4.28	4.32
b) Own Generation		
1. Through Diesel Generator (Units)	263075	54178
Unit per litre of Diesel	3.33	3.21
Cost per Unit (Rs.)	9.91	9.86
2. Through Steam Turbine	Nil	Nil
2. Coal	Nil	Nil
3. Furnace Oil (Qty in KL)	12816	12876
Amount (Rs.)	22,95,34,034	20,39,34,556
Average Rate (Rs./KL)	17,910	15,838
4. Others / Internal Generation	Nil	Nil
(B) Consumption per unit of production with standards (if any)		
Products (In MT)	42,827	41,420
Electricity in Units	628	629
Furnace Oil in KL	0.299	0.310
Coal	Nil	Nil
Others	Nil	Nil

FORM-B (See Rule 2)

B. TECHNOLOGY ABSORPTION

I. Research and Development (R&D)

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

- ▲ Development of alternate processes for treatment of Polyols.
- ▲ Improved formulations for speciality Glycols for oil fields.
- ▲ Reduction of Batch Reaction times for Polyols.

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

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

3. Future Plan of Action :

- ▲ Develop the prepolymer based PU systems for Integral Skin applications.



- ▲ Continue to focus on Glycols for oil fields.
- ▲ Development of rigid systems based on new generation Blowing agent (HFC's).

4. Expenditure on R & D :

- (a)Capital : Rs.16.24 lakhs
- (b)Recurring : Rs.50.04 lakhs
- (c)Total : Rs.66.28 lakhs
- (d)Total R&D expenditure as a percentage of total turnover – 0.18%.

II. Technology Absorption, Adaptation and Innovation :

1. Efforts, in brief, made towards technology absorption, adaptation and innovation :
Technology has already been fully absorbed
2. Benefit derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.:
 - > Use of indigenous chemicals
 - > Cost reduction
 - > Timely availability
 - > Increased production
 - > Lesser wastes
3. In case of imported technology (imported during the last five years reckoned from the beginning of the financial year) the following information may be furnished.
 - a) Technology imported :
Design and drawing have been imported for fabrication of equipment and the process know-how has been successfully absorbed.
 - PO / PG : Process know-how from M/s ATOCHEM 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 of USA (For Plant-I)
Process know-how from M/s PRESSINDUSTRIA of Switzerland (For Plant-II)
 - b) Year of Import : 1988 & 1989
 - c) Has technology been fully absorbed : yes.
 - d) if not fully absorbed areas where this has not taken place, reasons therefor and further plans of action : does not apply

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

- a) Efforts: Further possibilities of exporting the products are being explored.
- | | | (Rs. in lakhs) |
|-------|---|----------------|
| b) i) | Foreign Exchange Earnings – exports sales (FOB) | - 373.34 |
| ii) | Foreign Exchange outgo (on cash basis) | - 3,515.12 |

Statement showing the particulars of Employees of the Company as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Report of the Board of Directors for the year ended 31st March 2008

Name Tvl	Designation and Nature of Duties	Age	Qualification	Experience (Years)	Last Employment and post held	Date of Commence- ment of Employment	Gross Remune- ration (Rs.)
G. Ramachandran *	Managing Director	56	B.Tech., MBA	34	SPIC Ltd., Senior Manager	01.08.1989	38,76,254
K K Rajagopalan *	Director (Finance)	57	B.E., PGDM	35	SPIC Ltd., Executive Director (Finance)	20.04.2000	33,21,848

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



REPORT ON CORPORATE GOVERNANCE

1. MANALI PETROCHEMICAL LIMITED'S PHILOSOPHY ON CODE OF GOVERNANCE :

The Securities and Exchange Board of India had introduced a Code of Corporate Governance for implementation by companies listed with Stock Exchanges from the year 2001-2002. The Board of Directors of your Company strongly supports the principles of corporate governance. Further the Board lays emphasis on transparency, accountability and integrity in all its operations and dealings with outsiders. Your Company had adopted all the best practices in corporate governance much before the Code was formulated. The following are the detailed practices on Corporate Governance in your Company:

2. BOARD OF DIRECTORS:

(a) Composition of the Board : (for the financial year **2007-2008**)

Director	No. of Shares held in MPL	No. of meetings attended	* No. of outside Directorship held	Total No. of Membership / Chairmanship of Committees across all companies.	
				Member	Chairman
Dr A C Muthiah	2250	5	9	-	-
Mr. Ar Rm Arun @@@	-	4	-	-	-
Mr. Ashwin C Muthiah	-	3	11	3	-
Mr. M H Avadhani @@@@ **	-	4	2	-	-
Mr. C V R Panikar @ **	-	2	-	-	-
Mr. G Raghavendran **	4725	5	-	1	-
Mr. M Sivagnanam **	-	5	-	2	1
Mr. T Willington @@ (Nominee of TIDCO) **	-	3	-	-	-
Mr. S.Susai (Nominee of TIDCO) **#	-	1	12	8	1
Mr. Babu K Verghese ##	300	1	1	6	1
Mr. G Ramachandran	1725	5	1	-	-
Mr. K K Rajagopalan	1650	5	4	1	-

* (Excluding alternate directorship and directorship in private limited companies, Foreign Companies and Section 25 Companies.)

** Non-Executive and Independent Director.

@ Resigned with effect from 19.09.2007.

@@ Resigned with effect from 04.10.2007.

@@@ Resigned with effect from 20.03.2008

@@@@ Resigned with effect from 17.04.2008.

Nominated by TIDCO with effect from 04.10.2007.

Inducted by the Board as an Additional Director with effect from 29.10.07.

Dr A.C.Muthiah is a Non-Executive Chairman, Mr. G.Ramachandran and Mr. K.K. Rajagopalan are Executive Directors.



All the Directors except Mr.Ashwin C Muthiah attended the last Annual General Meeting held on 1st Sep. 2007.

5 Board Meetings were held during the financial year 2007 - 2008, as against the minimum requirement of 4 meetings. The dates on which the meetings were held are given below:

27.04.2007, 31.07.2007, 01.09.2007, 29.10.2007, 28.01.2008.

(b) None of the Directors of the Company is a member in more than 10 committees or Chairman of more than 5 committees across all companies in which he is a Director.

Disclosure of Non-Mandatory Requirement:

Chairman's office expenses incurred in performance of his duties are not reimbursed by the Company.

3. AUDIT COMMITTEE:

The Audit Committee was constituted in August 1990. The Terms of Reference since 1990 had already covered most of the aspects stipulated by the recent SEBI Guidelines. During the year 2005-06, these were comprehensively reviewed and the Audit Committee was mandated with the same Terms of Reference as specified in Clause 49 of the Listing Agreements with Stock Exchanges. The current Terms of Reference fully conform to the requirements of Section 292A of the Companies Act, 1956.

The Audit Committee is responsible for overseeing the Company's financial reporting process, reviewing the quarterly/half yearly/ annual financial statements, reviewing with the management the financial statements and adequacy of internal audit function, recommending the appointment/re-appointment of statutory auditors and fixation of audit fees, reviewing the significant internal audit findings/related party transactions, reviewing the Management Discussion and Analysis of financial condition and result of operations and also statutory compliance issues. The Committee acts as a link between the management, external and internal auditors and the Board of Directors of the Company.

The committee at present comprises of three non-executive independent directors.

All the members have good financial knowledge. The composition of the Audit Committee and the attendance of each director at these meetings are given below:

S No.	Director	Chairman/Member	No.of meetingsAttended
1	Mr. M Sivagnanam	Chairman	4
2	Mr. Ar Rm Arun ***	Member	3
3	Mr.M H Avadhani****	Member	3
4	Mr. C V R Panikar *	Member	NIL
5	Mr. G Raghavendran	Member	4
6	Mr. T. Willington **	Member	1
7	Mr. S. Susai *****	Member	1

* Resigned with effect from 19.09.2007.

** Resigned with effect from 04.10.2007.

*** Resigned with effect from 20.03.2008.

**** Resigned with effect from 17.04.2008.

***** Nominated by TIDCO with effect from 04.10.2007.

Mr. G S Lakshmi Narasimhan, Company Secretary, acted as the Secretary to the Committee. The Managing Director, Director (Finance) and representatives from the Statutory Auditors, M/s. Deloitte Haskins and Sells, Mr S. Sathappan, Internal Auditor and Mr. S Gopalan, Cost Auditor, attended the meetings of the Committee as invitees. The Committee met four times during the year 2007-08 on 27.04.2007, 31.07.2007, 29.10.2007, 28.01.2008.

The Audit Committee held discussions with the Statutory Auditors and Internal auditors of the company concerning the financial reports of the company, internal control systems, and scope of audit and observations of the Statutory Auditors / Internal Auditors. The audit committee also reviewed the quarterly, half-yearly and annual financial results of the company before submission to the Board,



the "Limited Review" of the quarterly accounts, matters relating to compliance of Accounting Standards, their observations arising from the internal / annual audit of the Company's accounts and other related matters.

4. REMUNERATION COMMITTEE

A Remuneration Committee was constituted by the Board on 28th Jan 2008 with three independent Directors as members. Mr. Babu K Verghese, Director is the Chairman. Mr. M. Sivagnanam and Mr.S. Susai, Directors are the other members. The committee will generally follow the practice in vogue since inception and will fix and review remuneration for the Managing/Whole-time Directors as and when necessary. The committee met on 26th March 2008 in which all the member Directors attended.

The remuneration of the Whole-time / Executive Directors comprises of a Fixed Component and a performance linked pay and is fixed by the Board of Directors, based on the recommendations of the remuneration committee, subsequently approved by the Members. The remuneration of the whole-time Directors/Executive Directors is recommended and fixed, taking into consideration the remuneration trend in the industry and in the region, academic background, qualification, experience and contribution of the individual.

The Executive Directors are not paid any sitting fees for any Board/Committee Meetings attended by them.

Details of Remuneration paid to the Directors for the year:

The Company does not pay any remuneration except sitting fees for attending the Board/Committee Meeting to Non-Executive Directors.

Sitting fees paid to non-executive directors are detailed below:

Amount in Rs.

Name	Board Meeting	Audit Committee Meeting	* SIG & ST	**RC Meeting	Total
Dr A C Muthiah	25000				25000
Mr.Ashwin C Muthiah	15000				15000
Mr Ar Rm Arun	20000	15000			35000
Mr M H Avadhani	20000	15000			35000
Mr C V R Panikar	10000		20000		30000
Mr G Raghavendran	25000	20000			45000
Mr M Sivagnanam	25000	20000	44000	2000	91000
Mr T Willington (Nominee of TIDCO)	15000	5000			20000
Mr.S.Susai (Nominee of TIDCO)	5000	5000		2000	12000
Mr Babu K Verghese	5000		20000	2000	27000
Total	165000	80000	84000	6000	335000

* SIG & ST - Committee for Shareholders & Investors Grievance & Share Transfer

** RC - Committee for Remuneration

Remuneration to Executive Directors

(Rs. in Lakhs)

Sl.No	Name	Salaries and Allowances	Contribution to PF & other Funds	Perquisites	Total
1	G.Ramachandran, Managing Director.	28.33	4.15	6.29	38.76
2	K.K.Rajagopalan, Director (Finance).	24.28	3.35	5.58	33.22
	Total	52.61	7.50	11.87	71.98



5. SHAREHOLDERS / INVESTORS GRIEVANCE AND SHARE TRANSFER COMMITTEE:

The Shareholders / Investors Grievance and Share Transfer Committee consists of 2 non-executive Directors and Managing Director viz.,

1.	Mr.Babu K.Verghese *	Chairman of the committee
2.	Mr.C V R Panikar **	Chairman of the committee
3.	Mr.M.Sivagnanam	Director
4.	Mr.G.Ramachandran	Managing Director

Compliance Officer - G.S.Lakshmi Narasimhan, Company Secretary

* Inducted as an Additional Director by the Board with effect from 29.10.2007

** Resigned with effect from 19.09.2007

The committee met 22 times during the year.

During the year, 429 complaints were received from the shareholders and were satisfactorily resolved. There was no pending complaint from the shareholders as on 31.3.2008.

Delivery of equity shares of the Company by all investors / shareholders is now mandatory in the dematerialised form in all Stock Exchanges.

6. DISCLOSURES

The Company has followed the guidelines of the Accounting standards laid down by the Institute of Chartered Accountants of India (ICAI) in preparation of its financial statements.

Transactions with related parties are disclosed in note No.14 of Schedule 19 to the accounts in the Annual Report.

During the year under review the company has not raised any funds from Public issue, rights issue, or preferential issue.

During the last three years there were no strictures or penalties imposed on the Company either by the stock exchanges or by SEBI or any statutory authority for non-compliance on any matter related to Capital markets.

The Company has laid down procedures to inform board members about the risk assessment and its minimisation, which are periodically reviewed to ensure that risk control is exercised by the Management effectively.

The Company has no specific Whistle Blower Policy. However, the Company recognises the importance of such informations and free access is available for employees at any level to report to the Management about the unethical behaviour or suspected fraud by staff/officers/suppliers/customers in violation of the company's code of conduct or any other point of concern.

7. C E O / C F O CERTIFICATION

C E O / C F O Certification by Mr.G.Ramachandran, Managing Director and Mr.K.K.Rajagopalan, Director (Finance) as required under clause 49 (V) of the Listing Agreement was placed before the Board at its meeting held on 17th April 2008.

8. GENERAL BODY MEETINGS:

Location and time, where last three AGMs held:

Year	Location	Date	Time
2006-07	Rajah Annamalai Mandram, Esplanade, (Near High Court), Chennai - 600 108.	01.09.2007	10.35 A.M.
2005-06	Rajah Annamalai Mandram, Esplanade, (Near High Court), Chennai - 600 108.	19.08.2006	10.35 A.M.
2004-05	Rajah Annamalai Mandram, Esplanade, (Near High Court), Chennai - 600 108.	10.09.2005	10.35 A.M.



Location and time, where last EGM held:

2005-06	Rajah Annamalai Mandram, Esplanade, (Near High Court), Chennai – 600 108.	19.10.2005	15:30 P.M.
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Details of Special Resolutions passed in the last 3 Annual General Meetings

Date of AGM/EGM	Whether any Special Resolution was passed	Particulars
10.09.2005 (AGM)	Yes	For reappointment and approval of remuneration payable to Mr.K.K.Rajagopalan, Director (Finance) and Mr.G.Ramachandran, Managing Director.
19.08.2006 (AGM)	Yes	Amendment of Articles of Association for the purpose of subdivision of 12,00,00,000 equity shares of Rs.10/- each in to 24,00,00,000 equity shares of Rs.5/- each.
01.09.2007 (AGM)	Yes	For revising the managerial remuneration payable to Mr.G.Ramachandran, Managing Director & Mr.K.K.Rajagopalan, Director (Finance).
19.10.2005 (EGM)	Yes	For reduction of share capital from Rs.114,66,61,530 to Rs.85,99,96,147.50, pursuant to the provisions of Sec.78, Sec.100 of the Companies Act 1956 and Article 58 of the Articles of Association of the Company.

No special resolution was passed through postal ballot during last year. No special resolution requiring voting by postal ballot is included in the notice convening the 22nd Annual General Meeting (the ensuing meeting) of the Company.

9. Means of Communication:

The quarterly results are published in the news papers viz., Economic Times and Makkal Kural. The Company has a website namely, www.manalipetro.com wherein the quarterly / annual results are displayed apart from the Code of Conduct. Official news releases and presentations made to analysts are sent to the Stock Exchanges, where the Company's shares are listed.

10. Shareholder Information:

i) Annual General Meeting

Date : 20.09.2008
Time : 10.35 A.M.
Venue : Rajah Annamalai Mandram,
Esplanade, Chennai – 600 108.

ii) Financial Calendar

Financial reporting for –
Quarter ending June 30, 2008 : End of July 2008
Quarter ending Sept. 30, 2008 : End of October 2008
Quarter ending Dec. 31, 2008 : End of January 2009
Year ending March 31, 2009 : End of June 2009

Annual General Meeting for the
year ended March 31, 2009 : End of September 2009

iii) Dates of Book Closure : 10.09.2008 to 20.09.2008
(both days inclusive)

iv) Dividend payment date : September / October 2008

v) Listing on Stock Exchanges at :

Bombay Stock Exchange Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400 001.
National Stock Exchange of India Limited
Exchange Plaza, Bandra-Kurla Complex,
Bandra (E), Mumbai – 400 051.
The Calcutta Stock Exchange Association Ltd,
No.7, Lyons Range, Kolkata – 700 001.
(Confirmation of De-listing awaited)

vi) Stock Code

Bombay Stock Exchange Limited	500268
National Stock Exchange of India Ltd	MANALIPETC
Demat ISIN Number in NSDL and CDSL	INE 201A01024



vii) Stock Market Data:

(in Rupees)

Year 2007-2008	National Stock Exchange		Bombay Stock Exchange	
	Month's High price	Month's Low price	Month's High price	Month's Low price
April	10.65	7.00	10.45	8.00
May	11.50	9.10	11.45	9.15
June	10.30	8.95	10.26	9.00
July	11.25	9.25	10.55	9.15
August	9.90	8.60	10.01	8.60
September	17.95	9.15	17.90	9.01
October	15.35	11.40	15.30	11.50
November	25.35	11.30	25.42	11.30
December	26.10	17.30	26.10	17.00
January	28.60	15.20	28.55	15.35
February	19.40	14.50	19.25	14.10
March	15.00	10.25	14.80	10.10

viii) Registrar and Share Transfer Agents:

Cameo Corporate Services Limited
 Subramanian Building, V Floor
 No.1, Club House Road,
 Chennai – 600 002.
 Phone No.: 044-28460390 -394 & 28460718
 Fax No. : 044-28460129
 E-Mail: cameosys@satyam.net.in

ix) Share Transfer System:

Share Transfers are registered and returned within a period of 30 days from the date of receipt, if the documents are clear in all respects. The power to approve transfer of securities has been delegated by the Board to the Shareholders / Investors Grievance and Share Transfer Committee, which meets once in a fortnight. Share transfer requests are processed within an average of 15 days from the date of receipt. Letters are sent to the shareholders after transfer of shares in their names giving an option for dematerialisation of shares of the physical shares. Physical shares are dematerialised and electronic credit is given to those shareholders, who opt for dematerialisation and in respect of other shareholders, who have not opted for dematerialisation, share certificates are despatched by Registered Post.

x) (a) Distribution of Shareholding (as on 31.3.2008)

No. of shares	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
1 - 100	16769	9.9484	1149220	0.6682
101 - 200	123486	73.2598	28315501	16.4626
501 - 1000	16843	9.9924	13231352	7.6927
1001 - 2000	6806	4.0378	10241495	5.9544
2001 - 3000	1937	1.1492	5113372	2.9729
3001 - 4000	649	0.3850	2367283	1.3763
4001 - 5000	636	0.3773	3019891	1.7558
5001 - 10000	835	0.4954	6116047	3.5558
10001 & above	598	0.3547	102445068	59.5613
Total	168559	100.0000	171999229	100.0000



(b) Categories of Shareholders (as on 31.3.2008)

Category	No. of Shareholders	% of shareholders	No. of Shares held	% of Shareholding
Promoter & Associates	2	0.001	77078553	44.813
Individual	161632	95.890	74669550	43.413
Corporate	1532	0.909	13037671	7.581
Financial Institutions	8	0.005	4638095	2.696
NRI/OCBs	5374	3.188	2559535	1.488
Banks	11	0.007	15825	0.009
Total	168559	100.000	171999229	100.000

xi) Dematerialisation of shares and Liquidity :

8577 Number of Demat requests for dematerialisation of 25,49,176 equity shares were approved during the year 2007–2008.

49.96% of the shares have been dematerialised upto 31st March 2008 as against 48.48% for the previous year ended 31st March 2007. Trading in equity shares of the Company is permitted only in dematerialised form for all categories of investors with effect from 8.5.2000 as per Notification issued by SEBI.

There are 65877 and 22858 beneficial holders held in the NSDL and CDSL Depository respectively, to whom all company's mailers and Annual Reports are despatched in addition to Registered members.

The shares of the Company are listed in Mumbai and National Stock Exchanges.

xii) There is no GDRs / ADRs / Warrants or any convertible instruments and hence there is no impact on equity.

xiii) **Plant Locations :** Plant I : Ponneri High Road, Manali Chennai – 600 068. Plant II : Sathangadu Village, Manali Chennai – 600 068.

xiv) Address for correspondence:

1) Manali Petrochemical Limited
Ponneri High Road, Manali
Chennai – 600 068.

Phone: 044-25941025 / 25943895

Fax : 044- 25941199

Email:companysecretary@manalipetro.com

2) Cameo Corporate Services Ltd
Subramanian Building, V Floor
No.1, Club House Road,
Chennai – 600 002.

Phone: 044-28460390 - 394 & 28460718

Fax : 044-28460129

E-mail: cameosys@satyam.net.in

CORPORATE GOVERNANCE COMPLIANCE REPORT

To

The Members of Manali Petrochemical Limited

We have examined the compliance of conditions of Corporate Governance by **Manali Petrochemical Limited** for the year ended on 31st March 2008 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Deloitte Haskins & Sells
Chartered Accountants

Geetha Suryanarayanan
Partner

Membership No.29519

Place : Chennai

Date : 17th April, 2008.



AUDITORS' REPORT

To
The Members of MANALI PETROCHEMICAL LIMITED

1. We have audited the attached Balance Sheet of Manali Petrochemical Limited as at 31st March 2008 and the Profit and Loss Account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in Paragraph 3 above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books
 - (iii) The Balance Sheet and Profit and Loss Account and cash flow statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (v) On the basis of written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;
 - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For DELOITTE HASKINS & SELLS
Chartered Accountants
Geetha Suryanarayanan
Partner

Place : Chennai
Date : 17th April, 2008.

Membership No.29519

Annexure referred to in Paragraph 3 of the report of even date

1. In respect of fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) The fixed assets were physically verified during the year by the management in accordance with a programme of verification which in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
 - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the company and such disposals has, in our opinion, not affected the going concern status of the company.
2. In respect of its inventories:
 - (a) As explained to us, inventories were physically verified by the management at reasonable intervals.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the company has maintained proper records of its inventories. The discrepancies noticed on physical verification between physical stock and book records were not material.
3.
 - (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
 - (b) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to the purchases of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.



5. In respect of contracts or arrangements referred to in section 301 of the Companies Act, 1956:
 - a. According to the information and explanations given to us, the particulars of contracts or arrangements that needed to be entered into the register have been so entered.
 - b. In our opinion and according to the information and explanations given to us, where each of such contracts or arrangements is in excess of Rs.5 lakhs in respect of any party, during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the Public during the year.
7. In our opinion, the company has an internal audit system commensurate with the size and the nature of its business.
8. We have broadly reviewed the books of account relating to materials, labour and other items of cost which are required to be maintained by the company for certain products of the company, pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, and we are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
9. Statutory and other dues
 - (a) According to the information and explanations given to us, the Company has been regular in depositing undisputed statutory dues including Provident Fund, Employee's State Insurance, Income Tax, Value Added Tax, Customs Duty, Wealth tax, Service tax, Excise Duty, Cess and other statutory dues applicable to it with the appropriate authorities during the year.
 - (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employee's State Insurance, Income Tax, Value Added Tax, Customs Duty, Wealth tax, Service tax, Excise Duty and Cess were in arrears, as at 31st March 2008 for a period of more than six months from the date they became payable.
 - (c) According to the information and explanations given to us, there are no dues of Income Tax, Value Added Tax, Customs Duty, Wealth tax, Service tax, Excise Duty and Cess that have not been deposited on account of any dispute except for the dues referred to in Note No.B2(c) and (d) of Schedule 19.
10. The Company does not have any accumulated losses at the end of the year. The Company has not incurred cash losses during the current and the immediately preceding financial year.
11. According to the information and explanations given to us by the management, we are of the opinion that the Company has not defaulted in repayment of dues to banks/financial institutions.
12. According to the information and explanations given to us and based on our examination of documents and records, we are of the opinion that no loans or advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit /society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause (xiv) of the companies (Auditor's Report) Order, 2003 are not applicable to the Company.
15. In our opinion and according to the information and explanations given to us the Company has not given any guarantee for loans taken by others from Banks and Financial Institutions during the year.
16. The company has not availed any term loan during the year.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short term basis have been used for long term investment.
18. The Company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any money by public issues during the year.
21. According to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

Place : Chennai
Date : 17th April, 2008.

For DELOITTE HASKINS & SELLS
Chartered Accountants
Geetha Suryanarayanan
Partner
Membership No.29519



Balance Sheet as at March 31, 2008

	Schedule	As at		(Rs. in Lakhs)
		March 31, 2008		As at March 31, 2007
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	1	8,603.47		8,603.47
Reserves and Surplus	2	2,582.70		3,007.53
Loan Funds				
Secured	3	1,525.80		1,791.33
Unsecured	4	128.96		430.64
Deferred Tax Liability (Net)		632.62		958.29
		13,473.55		14,791.26
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	5	20,695.25	20,580.05	
Less : Accumulated Depreciation		17,416.90	16,474.84	
Net Block		3,278.35	4,105.21	
Capital Work -in-Progress		3,333.93	812.14	4,917.35
Investments	6	1,609.98		2,210.65
Current Assets, Loans and Advances				
Inventories	7	4,300.07	4,946.31	
Sundry Debtors	8	3,332.25	2,957.42	
Cash and Bank Balances	9	456.12	1,721.26	
Loans and Advances	10	1,360.00	2,069.11	
		9,448.44	11,694.10	
Less: Current Liabilities and Provisions				
Current Liabilities	11	3,098.62	2,938.02	
Provisions	12	1,107.88	1,131.45	
Net Current Assets		5,241.94		7,624.63
Deferred Revenue Expenditure	13	9.35		38.63
(To the extent not Written off or adjusted)				
		13,473.55		14,791.26
Notes on Accounts	19			

The schedules referred to above form an integral part of the Financial Statements

This is the Balance Sheet referred to in our report of even date

For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of the Board of Directors

GEETHA SURYANARAYANAN
Partner

Dr. A C MUTHIAH
Chairman

M.SIVAGNANAM
Director

Place : Chennai
Date : 17th April, 2008.

G.S. LAKSHMI NARASIMHAN
Company Secretary

G RAMACHANDRAN
Managing Director

K K RAJAGOPALAN
Director (Finance)



Profit & Loss account for the year ended 31st March 2008

	Schedule	For the year ended March 31, 2008	(Rs. in Lakhs) For the year ended March 31, 2007
INCOME			
Sales		36,955.20	36,433.52
Less: Excise Duty on Sales		<u>4,608.42</u>	<u>4,915.32</u>
Net Sales		32,346.78	31,518.20
Other Income	14	<u>439.12</u>	<u>221.09</u>
		<u>32,785.90</u>	<u>31,739.29</u>
EXPENDITURE			
Raw materials and Packing Materials Consumed		19,466.18	20,617.07
Purchase of Traded Goods		3,654.34	1,132.78
Power and Fuel		3,436.61	3,162.77
Employee Cost	15	1,122.16	1,094.17
Other Expenses	16	2,674.15	3,296.57
Decrease/(Increase) in Stock	17	660.35	(770.03)
Deferred Revenue Expenditure Written-off	13	29.28	44.74
		<u>31,043.07</u>	<u>28,578.07</u>
Profit Before Interest and Depreciation		1,742.83	3,161.22
Interest (net)	18	(3.84)	(131.18)
Depreciation		<u>1,000.02</u>	<u>1,031.84</u>
Profit Before Tax		746.65	2,260.56
Provision for Tax		464.84	254.41
MAT Credit Entitlement			(240.48)
Deferred Tax (Asset)/Liability		(325.67)	740.71
Provision for Fringe Benefit Tax		6.54	6.87
Profit After Tax		<u>600.94</u>	<u>1,499.05</u>
Balance brought forward		2,916.08	2,423.19
Adjustments for change in accounting policy (Refer Note B13 of Schedule 19)		(19.61)	
Amount available for appropriations		<u>3,497.41</u>	<u>3,922.24</u>
Appropriations:			
Proposed Dividend		860.00	860.00
Dividend Tax thereon		146.16	146.16
Balance Carried over to Balance Sheet		<u>2,491.25</u>	<u>2,916.08</u>
Total		<u>3,497.41</u>	<u>3,922.24</u>
Basic and Diluted Earnings Per Equity Share of Rs.5.00 each (Refer Note No.B15 of Schedule 19)		0.35	0.87
Notes on Accounts	19		

The schedules referred to above form an integral part of the Financial Statements

This is the Profit & Loss Account referred to in our report of even date

For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of the Board of Directors

GEETHA SURYANARAYANAN
Partner

Dr. A C MUTHIAH
Chairman

M.SIVAGNAMAM
Director

Place : Chennai
Date : 17th April, 2008.

G.S. LAKSHMI NARASIMHAN
Company Secretary

G RAMACHANDRAN
Managing Director

K K RAJAGOPALAN
Director (Finance)



CASH FLOW STATEMENT

	2007-2008	(Rs. in Lakhs) 2006-2007
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit as per Profit and Loss A/c Before Tax	746.65	2,260.56
Adjustments for:		
Depreciation	1,000.02	1,031.84
Dividend received	(218.90)	(47.15)
Interest Expense	111.45	114.92
Interest Income	(115.29)	(246.10)
Provision for doubtful debts no longer required	(27.04)	(31.18)
Provision for doubtful debts		1.42
Liabilities no longer required		(3.38)
Deferred Revenue Exp.	29.28	44.74
Loss on sale/retirement of assets	(3.61)	2.90
	<u>775.91</u>	<u>868.01</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	1,522.56	3128.57
Adjustment for:		
Trade and other Receivables	43.45	453.39
Inventories	646.24	(703.07)
Trade Payables	(50.37)	291.30
	<u>639.32</u>	<u>41.62</u>
Net Cash From Operating Activities before Income Tax	2,161.88	3,170.19
Direct Taxes/ Fringe Benefit Tax paid	(52.76)	(202.81)
Net Cash From Operating Activities	<u>2,109.12</u>	<u>2,967.38</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets , CWIP & Capital Advance	(2,702.87)	(970.93)
Proceeds from sale of Fixed Assets	11.54	16.52
Interest Received	86.56	209.91
Dividend Received	218.90	47.15
Investments(Net)	600.67	(2,210.20)
Net Cash used in investing activities	(1,785.20)	(2,907.55)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of long term borrowings	(644.62)	(655.37)
Repayment/Proceeds from short term borrowings	77.41	307.45
Interest Paid	(111.45)	(114.92)
Dividend Paid	(764.24)	(809.66)
Corporate Dividend Tax Paid	(146.16)	(120.61)
Net Cash Used in Financing Activities	(1,589.06)	(1,393.11)
Net Increase in Cash and Cash equivalents	(1,265.14)	(1,333.28)
Cash and Cash Equivalents As At 1 st April [Opening Balance]	1,721.26	3,054.54
Cash and Cash Equivalents As At 31 st March [Closing Balance]	456.12	1,721.26

This is the Cash Flow statement referred to in our report of even date

For Deloitte Haskins & Sells
Chartered Accountants

GEETHA SURYANARAYANAN
Partner

Place : Chennai
Date : 17th April, 2008.

G.S. LAKSHMI NARASIMHAN
Company Secretary

For and on behalf of the Board of Directors

Dr. A C MUTHIAH
Chairman

M.SIVAGNAMAM
Director

G RAMACHANDRAN
Managing Director

K K RAJAGOPALAN
Director (Finance)



SCHEDULES TO FINANCIAL STATEMENTS

	As at March 31, 2008	(Rs. in Lakhs) As at March 31, 2007
1 Share Capital		
Authorised		
240,000,000 Equity Shares of Rs.5 each.	<u>12,000.00</u>	<u>12,000.00</u>
Issued, Subscribed and Paid Up		
171,999,229 (Previous Year: 171,999,229) Equity Shares of Rs.5.00 each fully paid up. (includes 48,608,400 Equity Shares of Rs.10 each allotted as fully paid-up to erstwhile shareholders of SPIC Organics Limited issued pursuant to the scheme of Amalgamation)	11,466.62	11,466.62
Less: Reduction in Share Capital	2,866.66	2,866.66
	<u>8,599.96</u>	<u>8,599.96</u>
Add: Shares Forfeited	3.51	3.51
	<u>8,603.47</u>	<u>8,603.47</u>
2 Reserves and Surplus		
Share Premium Account	91.45	91.45
Profit & Loss Account	2,491.25	2,916.08
	<u>2,582.70</u>	<u>3,007.53</u>
3 Secured Loans		
Cash Credit from Banks	695.07	617.66
Interest Free Sales Tax Loan *	830.73	1,173.67
	<u>1,525.80</u>	<u>1,791.33</u>

* Due for repayment within a year Rs.403.77 lakhs (Previous Year Rs.300.06 lakhs)

Cash Credit from Banks are secured by hypothecation of inventories on hand including in transit, book debts and other receivables both present and future and by way of a second charge on the Company's immovable properties other than machinery of gross value of Rs. 224.60 lakhs (previous year Rs. 224.60 lakhs) added under a multilateral grant which has been hypothecated to the concerned institution managing the grant.

The Interest Free Sales Tax loan is secured by a charge on the immovable and movable properties of the Company.

4 Unsecured Loans

Interest Free Sales Tax Loan **	128.96	430.64
	<u>128.96</u>	<u>430.64</u>

** Due for repayment within a year is Rs.128.96 lakhs(Previous Year Rs.261.59 lakhs)



SCHEDULES TO FINANCIAL STATEMENTS

5 Fixed Assets

(Rs. in Lakhs)

Particulars	ORIGINAL COST			DEPRECIATION			NET BLOCK		
	As at Apr. 1, 2007	Additions during the year	Deletions during the year	As at Mar. 31, 2008	As at Apr. 1, 2007	For the Year	On Deletions	As at Mar. 31, 2008	As at Mar. 31, 2007
Land	179.75			179.75	-			179.75	179.75
Development on lease hold land	20.25			20.25	9.36	1.07		9.82	10.89
Buildings	802.22	0.72		802.94	323.90	21.34		457.70	478.32
Plant and Machinery	18,893.62	150.84	55.78	18,988.68	15,588.71	943.43	48.60	2,505.14	3,304.91
Furniture and Fixtures	108.43	0.80	1.22	108.01	91.31	5.63	0.92	11.99	17.12
Office Equipments	76.74	1.65	3.56	74.83	40.43	0.62	3.11	36.89	36.31
Computers	314.87	20.48		335.35	263.06	24.76		47.53	51.81
Vehicles	184.17	6.59	5.32	185.44	158.07	3.17	5.33	29.53	26.10
Capital Work-in-Progress (including Capital advances)	20,580.05	181.08	65.88	20,695.25	16,474.84	1,000.02	57.96	3,278.35	4,105.21
Previous Year's Total	20,466.30	226.12	112.37	20,580.05	15,535.96	1,031.84	92.96	4,105.21	4,930.34

Plant and Machinery is net of grants received from World Bank through IDBI of Rs. 224.60 lakhs towards Ozone Depletion Scheme.



SCHEDULES TO FINANCIAL STATEMENTS

	As at March 31, 2008	(Rs. in Lakhs) As at March 31, 2007
6 Investments – Long Term (Non-Trade) - Quoted		
500 Equity Shares of Rs 10 each fully paid up in Chennai Petroleum Corporation Limited	0.45	0.45
(Market Value - Rs.1.41 lakhs [Previous Year Rs.0.94 lakhs])		
Short Term (Trade) - Unquoted		
(At cost or market value, whichever is lower)		
(Refer Note No.B3 to Schedule 19)		
UTI Liquid Fund	108.53	10.20
UTI Fixed Maturity Plan	1,501.00	2,200.00
	<u>1,609.98</u>	<u>2,210.65</u>
7 Inventories		
Stores and Spares	637.03	506.73
Raw Materials	1,146.24	1,365.74
Raw Materials in Transit	287.75	184.44
Work-in-Process	244.49	179.02
Finished Goods		
— Manufacturing	1,506.24	2,373.17
— Trading	478.32	337.21
	<u>4,300.07</u>	<u>4,946.31</u>
8 Sundry Debtors (Unsecured)		
Debts over Six months		
Considered Good	144.78	156.47
Considered Doubtful	273.83	300.87
	<u>418.61</u>	<u>457.34</u>
Other Debts Considered Good	3,187.47	2,800.95
	<u>3,606.08</u>	<u>3,258.29</u>
Less: Provision	273.83	300.87
	<u>3,332.25</u>	<u>2,957.42</u>
9 Cash and Bank Balances		
Cash & Cheques on Hand	31.76	28.22
Balances with Scheduled Banks :		
— in Current Accounts	325.43	274.28
— in Short Term Deposit Accounts		1,325.10
— in Margin Money Deposits	98.93	93.66
	<u>456.12</u>	<u>1,721.26</u>
10 Loans and Advances (Unsecured)		
Considered Good		
Advances Recoverable in cash or in kind or for value to be received *	675.42	1,049.24
MAT Credit Entitlement	178.82	546.93
Prepaid Taxes (net of provision Rs.464.84; Previous Year Rs.254.41)	21.74	38.72
Deposits		
— Statutory Authorities	224.54	215.68
— Others	19.93	17.74
Balance with Excise, Customs and Sales tax Authorities	239.55	200.80
	<u>1,360.00</u>	<u>2,069.11</u>

* Includes dues from an officer of the Company Rs.Nil (Previous Year Rs.Nil)
Maximum amount outstanding at any time during the year Rs.Nil (Previous Year Rs.0.06 lakhs)



SCHEDULES TO FINANCIAL STATEMENTS

	As at March 31, 2008	(Rs. in Lakhs) As at March 31, 2007
11 Current Liabilities		
Acceptances	132.51	141.75
Total outstanding dues of micro enterprises & small enterprises	-	-
Total outstanding dues of Creditors other than micro enterprises & small enterprises (Refer Note No.4 to Schedule 19)	2,591.31	2,474.07
Unclaimed Dividend **	95.76	50.34
** No amount is due as on 31st March 2008 to be transferred to Investor Education & Protection Fund.		
Other Liabilities	279.04	271.86
	<u>3,098.62</u>	<u>2,938.02</u>
12 Provisions		
For Employee Benefits	101.72	125.29
For Proposed Dividend	860.00	860.00
For Dividend Tax	146.16	146.16
	<u>1,107.88</u>	<u>1,131.45</u>
13 Deferred Revenue Expenditure (To the extent not Written off or adjusted)		
Research and Development		
As per last Balance Sheet	28.50	60.42
Less: Written off during the year	<u>19.15</u>	<u>31.92</u>
	9.35	28.50
Voluntary Retirement Scheme		
As per last Balance Sheet	10.13	22.95
Less: Written off during the year	<u>10.13</u>	<u>12.82</u>
	0.00	10.13
	<u>9.35</u>	<u>38.63</u>
	For the year ended March 31, 2008	For the year ended March 31, 2007
14 Other Income		
Sale of Scrap	72.66	84.23
Profit on sale of asset (net)	3.61	
Provision for Doubtful Debts no longer required Written back	27.04	31.18
Dividend		
-Traded	0.05	0.05
- Non-traded	<u>218.85</u>	<u>47.10</u>
	218.90	47.15
Foreign Exchange Fluctuations (net)	70.14	19.62
Miscellaneous Income	46.77	38.91
	<u>439.12</u>	<u>221.09</u>
15 Employee Cost		
Salaries , Wages and Bonus	772.20	785.79
Contribution to Provident Fund and Other Funds	134.80	111.52
Staff Welfare Expenses	215.16	196.86
	<u>1,122.16</u>	<u>1,094.17</u>



SCHEDULES TO FINANCIAL STATEMENTS

	(Rs. in Lakhs)	
	For the year ended March 31, 2008	For the year ended March 31, 2007
16 Other Expenses		
Consumables	41.37	8.46
Water	568.16	622.41
Rent	27.07	16.09
Rates and Taxes	62.12	97.70
Repairs and Maintenance :		
— Machinery	760.13	802.33
— Building	84.81	94.37
— Others	101.76	119.11
Insurance	139.42	227.72
Provision for Doubtful Debts		1.42
Bad Debts / Advances Written -off		8.81
Less :- Provision Released		(8.81)
Discount	671.15	741.41
Agency Commission	134.17	133.24
Directors Sitting fees	3.35	4.31
Loss on sale / Retirement of assets (net)		2.90
Excise Duty (Refer Note B5 of Schedule 19)	(185.38)	161.11
Miscellaneous Expenses	266.02	263.99
	<u>2,674.15</u>	<u>3,296.57</u>
17 Decrease/(Increase) in stock		
Opening Stock		
Finished goods	2,373.17	1,639.52
Work - in - process	179.02	197.13
Traded Goods	337.21	282.72
Less: Closing Stock	<u>2,889.40</u>	<u>2,119.37</u>
Finished goods	1,506.24	2,373.17
Work - in - process	244.49	179.02
Traded Goods	478.32	337.21
	<u>2,229.05</u>	<u>2,889.40</u>
Decrease/(Increase) in stock	<u>660.35</u>	<u>(770.03)</u>
18 Interest and finance charges		
Interest paid	111.45	114.92
Less: Interest Receipts	115.29	246.10
(Tax deducted at source Rs.20.87 Lakhs, Previous year Rs.56.61 lakhs)		
	<u>(3.84)</u>	<u>(131.18)</u>



19 NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

The financial statements have been prepared under historical cost convention in accordance with the accounting principles generally accepted in India and comply with the mandatory Accounting Standards notified by the Central Government of India under the Companies (Accounting Standards) Rules, 2006 and with the relevant provisions of the Companies Act, 1956.

2. USE OF ESTIMATES

The preparation of financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses and disclosure of contingent liabilities as of the date of the financial statements. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Actual results could vary from these estimates.

Difference between the actual results and estimates are recognised in the period in which the results are known / materialised.

3. FIXED ASSETS AND DEPRECIATION

Fixed assets are stated at cost. Cost comprises of the purchase price (net of CENVAT/VAT) and any attributable cost of bringing the assets to its working condition for its intended use.

With regard to assets acquired under hire purchase / finance lease, the cost of assets is capitalized. Lease payments are apportioned between the finance charges and the corresponding liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the revenue accounts.

Depreciation is provided for on Straight Line method at the rates and in the manner prescribed under Schedule XIV of the Companies Act, 1956, except for moulds and wooden pallets included under plant and machinery, the cost of which are amortised over a period of five years from the date of purchase. Individual assets costing less than Rs.5000/- each is depreciated in full in the year of addition.

Leasehold land is amortised on a straight line basis over the remaining period of lease.

4. IMPAIRMENT OF FIXED ASSETS

Consideration is given at each Balance Sheet date to determine whether there is any indication of impairment on the carrying amount of the Company's fixed assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds recoverable amount.

5. INVESTMENTS

Long term Investments are valued at cost and provision is made if the diminution in value is other than temporary in nature. Current investments are carried at cost or market value whichever is lower. The returns on these investments are accounted as dividend income.

6. INVENTORIES

a) Finished goods and work-in-process are valued at lower of cost and net realisable value. Cost on moving weighted average basis includes all direct costs and applicable production overheads to bring the goods to the present location and condition. Excise duty on the finished goods is added to the cost.

b) Raw materials, stores and spares are valued at lower of cost and net realisable value. Cost on moving weighted average basis includes freight, taxes and duties net of CENVAT/VAT credit wherever applicable. Customs duty payable on material in bond is added to cost.

7. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of transactions and realized exchange gain/loss is dealt with in the Profit and Loss account. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the rate of exchange prevailing at the year-end. Exchange differences arising on actual payments/realisations and year-end restatements are dealt with in the Profit & Loss Account. The premium/discount on forward contracts are amortised over the period of the contract.

8. REVENUE RECOGNITION

a) Sales are recognised when significant risks and rewards of ownership are transferred to the buyer, which generally coincides with the despatch of goods from the company's premises and are recorded at Invoice value inclusive of excise duty net of Sales Tax and returns.

b) Dividend Income on Investments is accounted for when the right to receive the same is established.



9. EMPLOYEE BENEFITS

Gratuity

The Company has an obligation towards gratuity, which is a defined benefit plan. Liability for gratuity to employees is determined on the basis of actuarial valuation using Projected Unit Credit method as on the balance sheet date is funded with the Life Insurance Corporation of India/Trust established by the Company and the contribution thereof paid / payable is absorbed in the Accounts.

Superannuation

The Company has two superannuation plans, a defined benefit plan and a defined contribution plan. Liability for superannuation to employees who are covered under the defined benefit plan is determined on the basis of actuarial valuation using Projected Unit Credit method as on the balance sheet date and is funded with the trust established by the Company. Contributions towards superannuation to employees who are covered under the defined contribution plan are made to Life Insurance Corporation of India through the Trust established by the Company. The above liabilities are recognised as expense in the year in which incurred.

Provident Fund

Contributions to approved Provident Fund Trust administered by the Company is recognised as expense in the year in which incurred. The Company is generally liable for annual contributions and any shortfall in the fund assets based on the government specified minimum rates of return or pension and recognises such shortfall, if any, as an expense in the year incurred.

Compensated absences

Liability for short term compensated absences is recognised based on the eligible leave to the credit of the employees as at the balance sheet date. Liability for long term compensated absences is determined on the basis of actuarial valuation using projected unit credit method as on the balance sheet date.

10. DEFERRED REVENUE EXPENDITURE

Capital expenditure on research and development is capitalised as fixed assets. Other expenditure is amortised over a period of five years from the year in which such expenditure are incurred.

Payment of compensation to employees who have retired under Voluntary Retirement Scheme is amortised over a period of 60 months from the month of retirement.

11. TREATMENT OF GRANT

The grant or subsidies received from financial institutions are deducted in arriving at the carrying value of the respective assets.

12. TAXES ON INCOME

Current tax is determined on income for the year chargeable to tax in accordance with the provisions of Income Tax Act, 1961. Deferred tax is recognized on all timing differences subject to the consideration of prudence.

13. MAT CREDIT ENTITLEMENT

MAT Credit is recognized as an asset only when there is convincing evidence that the Company will pay normal income tax within the specified period. The asset shall be reviewed at each Balance Sheet date.

14. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for (i) Possible obligation which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

- B** 1 Estimated value of contracts remaining to be executed on capital account (net of advances) and not provided for is Rs. 2056.52 lakhs (previous year Rs.2023.32 lakhs).

	As at 31st March 2008 (Rs. in lakhs)	As at 31st March 2007 (Rs. in lakhs)
2 Contingent Liabilities		
a) Bills discounted	293.03	364.04
b) Letters of Credit / Guarantees	1451.14	1400.45
c) Excise & Customs claims under appeal	12.01	12.01
d) Disputed Sales Tax demands	30.45	33.12



Nature of the Dues	Forum before which the dispute is pending	Amount	Amount
		(Rs. in lakhs)	(Rs. in lakhs)
a) Excise Duty	Deputy Commissioner of Central Excise	1.80	1.80
	Customs, Excise and Service Tax Appellate Tribunal	4.64	4.64
b) Customs Duty	Customs, Excise and Service Tax Appellate Tribunal	5.57	5.57
		12.01	12.01
c) Sales Tax	Commercial Tax Officer	14.06	17.83
	Appellate Authorities under Sales Tax Act	1.23	1.23
	Sales tax Tribunal under Sales Tax Act	15.16	14.06
		30.45	33.12

In the opinion of the management, no provision is considered necessary for the disputes mentioned above on the grounds that there are reasonable chances of successful outcome of appeals

Mutual Funds	Year Ended 31st March 2008				Year Ended 31st March 2007			
	Purchases		Redemption		Purchases		Redemption	
	Units (Nos)	Value (Rs. in Lakhs)	Units (Nos)	Value (Rs. in Lakhs)	Units (Nos)	Value (Rs. in Lakhs)	Units (Nos)	Value (Rs. in Lakhs)
UTI Liquid Funds (Face Value Rs. 1000 per Unit)	826017	8320.39	816386	8222.06	164089	1672.80	163089	1662.60
UTI Fixed Maturity Plan (Face Value Rs. 10 per Unit)	71998540	7200.00	78999840	7899.00	37000000	3700.00	15000000	1500.00

4 There are no dues to micro, small & medium enterprises which are outstanding for more than 45 days as at the Balance Sheet date and no interest has been paid to any such parties. This is based on the information on such parties having been identified on the basis of information available with the company and relied upon by the auditors.

5 **Excise Duty**

Total Excise Duty on Sales for the year has been disclosed as reduction from the turnover. Excise duty related to the difference between the closing stock and opening stock has been included in Schedule 16 "Manufacturing & Other Expenses."

6 Repairs and Maintenance to machinery includes consumption of stores and spares amounting to Rs.367.91 lakhs (previous year Rs.462.75 lakhs).

	Year Ended 31st March 2008 (Rs. lakhs)	Year Ended 31st March 2007 (Rs. lakhs)
7 Auditors' Remuneration (included in Miscellaneous Expenses)		
Audit fees	6.00	5.00
Other services	3.00	2.00
Out of pocket expenses	0.10	0.08
	9.10	7.08
8 Managerial Remuneration :(Included in Employee cost)		
Salaries and Allowances	52.61	32.14
Contribution to Provident and other Funds	7.50	9.30
Perquisites	11.87	8.35
	71.98	49.79

9(a) **Capacity and Production (MT)**

Class of goods	Licensed capacity		Installed capacity **		Actual production *	
	Current year	Previous year	Current year	Previous year	Current year	Previous year
Propylene oxide	37,000	37,000	24,000	24,000	28,290	27,936
Propylene glycol	24,000	24,000	13,250	13,250	16,875	16,426
Polyols	37,000	37,000	14,000	14,000	14,251	14,061
PGMME	2,400	2,400	2,400	2,400	768	615
Di - Propylene Glycol	1,500	1,500	-	-	1,708	1,273
Tri - Propylene Glycol	200	200	-	-	128	125
DCP and DCIPE	4,700	4,700	-	-	4,478	4,329

* Including Captive Consumption.

** As certified by management and relied on by the auditors, this being a technical matter.



9(b) **Consumption of Raw Materials & Packing Materials:**

	Year Ended 31st March 2008		Year Ended 31st March 2007	
	Quantity (MT)	Value (Rs. in lakhs)	Quantity (MT)	Value (Rs. in lakhs)
Raw Materials				
Propylene	25589	10,868.82	25199	9,744.32
Chlorine	42322	2,386.23	41414	2,744.99
Lime	38772	1,623.08	35355	1,424.73
Other chemicals (Individually less than 10% of consumption)		3,364.38		5,400.52
Packing Materials				
Drums (Nos)	110943	1,223.67	121482	1,302.51
		<u>19,466.18</u>		<u>20,617.07</u>

9(c) **Consumption of Imported and Indigenous Raw Materials, Stores and Consumables:**

	Year Ended 31st March 2008		Year Ended 31st March 2007	
	Percentage (%)	Value (Rs. in lakhs)	Percentage (%)	Value (Rs. in lakhs)
i) Raw materials :				
Imported	9.98	1,943.40	11.86	2,444.25
Indigenous	90.02	17,522.78	88.14	18,172.82
	<u>100.00</u>	<u>19,466.18</u>	<u>100.00</u>	<u>20,617.07</u>
ii) Stores and consumables :				
Imported	15.18	62.15	4.65	21.91
Indigenous	84.82	347.13	95.35	449.30
	<u>100.00</u>	<u>409.28</u>	<u>100.00</u>	<u>471.21</u>

9(d) **Trading Goods**

	Qty (MT)	(Rs. in lakhs)	Qty (MT)	(Rs. in lakhs)
Opening Stock	258	337.21	200	282.72
Purchases	3156	3,654.34	937	1,132.78
Closing Stock	388	478.32	258	337.21

9(e) **Sales**

	Qty (MT)	(Rs. in lakhs)	Qty (MT)	(Rs. in lakhs)
Manufactured Goods:				
Propylene Oxide	283	271.62	74	77.86
Propylene Glycol	17502	14,519.91	16359	14,358.72
Polyol	17361	16,339.10	17447	18,513.15
Others		2,150.40		2,307.29
Traded Goods	3026	3,674.17	879	1,176.50
		<u>36,955.20</u>		<u>36,433.52</u>

9(f) **Stock of Finished Goods**

	As at March 31, 2008		As at March 31, 2007	
	Qty (MT)	(Rs. in lakhs)	Qty (MT)	(Rs. in lakhs)
Manufactured Goods:				
Propylene Oxide	301	260.28	228	186.60
Propylene Glycol	165	142.97	899	657.14
Polyol	1111	996.98	1690	1,478.52
Others		106.01		50.91
Traded Goods	388	478.32	258	337.21
		<u>1,984.56</u>		<u>2,710.38</u>

	Year Ended March 31, 2008 (Rs. in lakhs)	Year Ended March 31, 2007 (Rs. in lakhs)
10(a) CIF Value of Imports		
Raw Materials, Stores and Consumables	2,220.10	3,811.26
Traded goods	1,598.04	837.89
	<u>3,818.14</u>	<u>4,649.15</u>
10(b) Earnings in Foreign Currency		
FOB value of exports	373.34	109.01
Freight and Insurance	14.54	4.92
	<u>387.88</u>	<u>113.93</u>
10(c) Expenditure in foreign currency (on payment basis)		
Travel	1.29	2.63
Others	7.55	0.81
	<u>8.84</u>	<u>3.44</u>



11 The Company is engaged in the business of manufacture of Petrochemicals, which is the only segment in the context of reporting business/geographical segment in accordance with Accounting Standard 17 on segment reporting issued by The Institute of Chartered Accountants of India.

12 Superannuation

The Company has two superannuation plans, a defined benefit plan and a defined contribution plan. Liability for superannuation to employees who are covered under the defined benefit plan is determined on the basis of actuarial valuation using Projected Unit Credit method as on the balance sheet date and is funded with the trust established by the Company. Contributions towards superannuation to employees who are covered under the defined contribution plan are made to Life Insurance Corporation of India/Trust established by the Company. The above liabilities are recognised as an expense in the year in which incurred.

Gratuity

The Company has an obligation towards gratuity, which is a defined benefit plan. Liability for gratuity to employees is determined on the basis of actuarial valuation using Projected Unit Credit method as on the balance sheet date is funded with the Life Insurance Corporation of India/Trust established by the Company and the contribution thereof paid / payable is absorbed in the Accounts.

Compensated absences

Liability for short term compensated absences is recognised based on the eligible leave to the credit of the employees as at the balance sheet date. Liability for long term compensated absences is determined on the basis of actuarial valuation using Projected Unit Credit method as on the balance sheet date.

The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plan:

Profit and Loss Account:

Rs.in lakhs

Particulars	Superannuation	Gratuity	Leave Salary
Net employee benefit expenses (recognised in employee cost)	2007-08		
Current Service Cost	7.57	9.99	7.06
Interest cost on benefit obligation	3.50	9.11	3.52
Expected return on plan assets	2.95	8.96	-
Net actuarial (gain)/loss recognised in the year	(3.60)	12.76	7.25
Net benefit expense	4.52	22.89	17.83

Balance Sheet: (2007-08)

Particulars	Superannuation	Gratuity
Reconciliation of present value of the obligation and the fair value of plan assets:		
Fair value of plan assets at the end of the year	47.90	142.65
Present value of funded obligation at the end of the year	60.32	141.46
Asset/(Liability) recognised in the balance sheet	(12.42)	1.19

Changes in the present value of the defined benefit obligation are as follows : (2007-08)

Particulars	Superannuation	Gratuity	Leave Salary
Present value of obligations as at the beginning of the year	60.13	131.39	53.50
Interest cost	3.50	9.11	3.52
Current service cost	7.57	9.99	7.06
Benefits paid	20.53	20.16	13.37
Actuarial Gain on obligation	9.65	11.13	7.25
Present value of obligations as at the end of the year	60.32	141.46	57.96

Changes in the fair value of plan assets are as follows : (2007-08)

Particulars	Superannuation	Gratuity
Fair value of plan assets at beginning of the year	52.23	115.22
Expected return on plan assets	2.95	8.96
Contributions	-	40.25
Benefits paid	20.53	20.16
Actuarial gain on plan assets	13.25	(1.63)
Fair value of plan assets as at the end of the year	47.90	142.65

Principal actuarial assumptions

Particulars	Rate (%)
a) Discount rate as on 31.03.2008	7.50
b) Future salary increase *	3.50

* The estimates of future salary increases take in to account inflation, seniority, promotion and other relevant factors. The prior year comparables are not given since the revised AS 15 disclosure requirements are applicable from April 1, 2007.



13 **Change in Accounting Policy:**

Consequent to the Accounting Standard - 15 "Employee Benefits" (AS-15) issued by The Institute of Chartered Accountants of India, becoming effective from 1st April, 2007, the company has reviewed and revised its accounting policy in respect of employee benefits. In accordance with the transitional provision contained in the Accounting Standard, the difference of Rs. 19.61 lakhs (net of tax effect of Rs.10.09 lakhs) between liability in respect of the Superannuation Plan existing on the date of adoption of the above standard and the liability that would have been recognised on the same date under the previous accounting policy has been adjusted against the opening balance in the General Reserve. Further as a result of this change, the charge to profit and loss account for the year is not considered significant.

14 **Related Party Disclosures:**

List of Related Parties

Southern Petrochemical Industries Corporation Limited	Promoter
Ind-Ital Chemicals Limited	Subsidiary of Promoter
Mr.G.Ramachandran	Managing Director
Mr.K.K.Rajagopalan	Director (Finance)

Transactions with Related Parties

(Rs. in Lakhs)
Promoter/Subsidiary of promoters
For the year 2007-08 For the year 2006-07

Southern Petrochemical Industries Corporation Limited

Income from sales (net of discounts)	70.67	75.31
Services availed	10.27	12.44
Services rendered	-	1.73

Outstanding as at year end

Loans & Advances	45.45 (Dr)	4.32 (Cr)
Sundry Debtors	5.64 (Dr)	17.02 (Dr)

Ind-Ital Chemicals Limited

Purchases	14.95	1.70
Income from sales (net of discounts)		1.39
Services availed		4.73
Services rendered		0.84

Outstanding as at year end

Loans & Advances		10.16 (Dr)
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Key Management Personnel

Mr.G.Ramachandran	Remuneration	38.76	28.49
	Outstanding at the year end	11.34	9.02
Mr.K.K.Rajagopalan	Remuneration	33.22	21.30
	Outstanding at the year end	9.18	7.11

15 **Earnings Per Share**

	Year ended	Year ended
	31st March 2008	31st March 2007
Profit as per Profit & Loss Account (Rs lakhs)	600.94	1499.04
No. of Shares used in computing earnings per share	171999229	171999229
Earnings per share - Basic and diluted (in Rupees)	0.35	0.87
Face Value per share (in Rupees)	5.00	5.00

There are no potential equity shares and hence the basic and diluted earnings per share are the same. Basic earnings per share is calculated by dividing the net profit after tax for the year attributable to the equity share holders by the weighted average number of equity shares outstanding during the year.

16 **Deferred Taxation**

The components of net Deferred Tax Liability are as follows:

<u>Nature- Asset / (Liability)</u>	As at 31st March 2007	For the Year	As at 31st March 2008
	Rs in lakhs	Rs in lakhs	Rs in lakhs
Depreciation	(1090.05)	332.87	(757.18)
Deferred Revenue Expenses	(13.05)	9.96	(3.09)
Doubtful Debts / Advances	144.81	(17.16)	127.65
Total	(958.29)	325.67	(632.62)

17 In view of the profits for the year as well as prior three years and also considering the future profit projections, the Company is hopeful of being able to take credit the tax paid under MAT for adjustment against the normal income tax payable in future within the period specified under the Income Tax, 1961. Accordingly MAT Tax paid is considered as an asset and is disclosed under the head "Loans and Advances".

18 Other Liabilities include Rs.192.97 lakhs (previous year Rs.210.56 lakhs) for estimated liability towards revision in salaries & wages for staff and officers for the period 2000-01 to 2007-08 .

Opening balance as on 1st April 2007 (Rs in Lakhs)	Paid during the year (Rs in Lakhs)	Closing balance as on 31st March 2008 (Rs in Lakhs)
210.56	17.59	192.97

19 Previous year's figures have been re-grouped wherever necessary to conform to the current year's classification.



BALANCE SHEET ABSTRACT AND COMPANY' S GENERAL BUSINESS PROFILE

I Registration details
 Registration No. State Code
 Balance Sheet Date
 Date Month Year

II Capital Raised during the year (Amount Rs.in Thousands)
 Public Issue
 Bonus Issue
 Rights Issue
 Private Placement

III Position of Mobilisation and Deployment of Funds (Amount Rs.in Thousands)
 Total Liabilities Total Assets
 Source of Funds
 Paid-Up-Capital Reserves&Surplus
 Secured Loans Unsecured Loans
 Deferred Tax Liability
 Application of Funds
 Net Fixed Assets Investments
 Net Current Assets Misc.Expenditure

IV Performance of Company (Amount Rs.in Thousands)
 Turnover Total Expenditure
 Profit /Loss before Tax Profit/Loss after Tax
 + - + -

 Earnings per share in rupees Dividend rate% 10%

V Generic Names of Three Principal Products /Services of Company (as per monetary terms)
 ITEM CODE No.(ITC CODE)
 Product Description
 ITEM CODE No.(ITC CODE)
 Product Description
 ITEM CODE No.(ITC CODE)
 Product Description

For and on behalf of the Board of Directors

Dr. A C MUTHIAH
 Chairman

M SIVAGNAM
 Director

Place: Chennai
 Date : 17th April, 2008

G S LAKSHMI NARASIMHAN
 Company Secretary

G RAMACHANDRAN
 Managing Director

K K RAJAGOPALAN
 Director (Finance)



MANALI PETROCHEMICAL LTD

(Regd. Office: "SPIC House", 88, Mount Road, Guindy, Chennai 600 032)

ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL. ONLY MEMBERS OR THEIR PROXIES ARE ENTITLED TO BE PRESENT AT THE MEETING.

Folio No.

No. of shares held

DP.ID*	<input type="text"/>
Client.ID*	<input type="text"/>

**Applicable to investors holding shares in electronic form.*

I hereby record my presence at the **TWENTY SECOND ANNUAL GENERAL MEETING**, held at **Rajah Annamalai Mandram, Esplanade, Chennai 600 108, on Saturday, the 20th September 2008 at 10.35 A.M.** as Shareholder/Proxy*

.....
NAME OF THE SHAREHOLDER / PROXY *

.....
SIGNATURE OF THE SHAREHOLDER / PROXY*

**Strike whichever is not applicable*



MANALI PETROCHEMICAL LTD

(Regd. Office: "SPIC House", 88, Mount Road, Guindy, Chennai 600 032)

PROXY FORM

FOLIO NO.	<input type="text"/>
DP ID	<input type="text"/>

No. of shares held

I / Weof.....
In the district of.....being a member / members of MANALI PETROCHEMICAL LTD, hereby appoint.....of.....
in the District of.....or failing him.....of.....in the District of.....as my / our Proxy to vote for me / us on my / our behalf, at the Twenty Second Annual General Meeting of the Company to be held on Saturday, the 20th September 2008 at 10.35 A.M and at any adjournment thereof.

Signed this.....Day of2008

**Affix
30 Paise
Revenue
Stamp**

Signature

- Note:
1. In the case of a Corporation this Proxy shall be either given under the Common Seal or signed on its behalf by an Attorney or Officer of the Corporation.
 2. Proxies to be valid must be deposited at the Registered Office / Principal Office of the Company, not later than 48 hours before the time for holding the meeting.



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Manali Petrochemical Ltd

Ponneri High Road, Manali,

Chennai - 600 068.

Phone : 25941025, 25941249, 25941253

Fax : 25941199

Email : it@manalipetro.com