

ANNUAL REPORT

2008 – 2009



Manali Petrochemical Ltd



BOARD OF DIRECTORS

(As on 6th May 2009)

ASHWIN C. MUTHIAH	Chairman
BABU K VERGHESE	Director
G.RAGHAVENDRAN	Director
M.SIVAGNANAM	Director
N. SURYANARAYANAN	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,
ASV N Ramana Tower, 52, Venkatnarayana Road,
T.Nagar, Chennai - 600 017.

BANKERS

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

REGISTERED OFFICE

SPIC HOUSE
88 Mount Road, Guindy, Chennai 600 032

PRINCIPAL OFFICE & PLANT-I

Ponneri High Road, Manali, Chennai 600 068
Phone : 25941025, 25941249, 25941253
Fax : 25941199
Email : it@manalipetro.com

PLANT - II

Sathangadu Village
Manali, Chennai 600 068
Phone : 25941698, 25941402

SECRETARIAL DEPARTMENT

Ponneri High Road, Manali, Chennai 600 068
Phone : 25943895 (Direct)
Email : companysecretary@manalipetro.com

DEPOSITORY

National Securities Depository Ltd (NSDL)
Central Depository Services (India) Ltd (CDSL)

SHARES LISTED WITH

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

REGISTRARS AND SHARE TRANSFER AGENT

M/s Cameo Corporate Services Limited
"Subramanian Building"
No.1, Club House Road, Chennai 600 002
Phone : 28460390 - 394 & 28460718
Fax : 28460129
E mail : investor@cameoindia.com



NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 23rd 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 Thursday the 17th September 2009 at 10.00 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 2009 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.G.Raghavendran, who retires by rotation and being eligible offers himself for re-election.
4. To appoint a Director in the place of Mr.M.Sivagnanam 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 modifications, the following Resolution as an ORDINARY RESOLUTION:

“RESOLVED THAT Mr.Ashwin C Muthiah appointed as a Director of the Company in the Annual General Meeting held on 1st September 2007 will not be liable for retirement by rotation”.

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

“RESOLVED THAT Mr.N.Suryanarayanan whose period of office shall be liable to determination by retirement of Directors

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

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 G. Ramachandran, Managing Director of the Company for the period from 01.09.2009 to 31.08.2012 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 / Prinicpal Office of the

Company not less than 48 hours before the commencement of 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 10.09.2009 to 17.09.2009 (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
7. National Electronic Clearing Service (NECS) has been operationalised by RBI wef Oct. 2008 enhancing the coverage given by ECS so far. NECS leverages on Core Banking Solution of member banks for centralised posting of NECS transactions. Through NECS you as our shareholder can receive dividend credits through electronic mode even if you are not in a ECS location. We encourage you to update detail required for NECS with your DP.
8. Relevant explanatory statement of material facts pursuant to Section 173(2) of the Companies Act, 1956 in respect of item nos.6 to 8 of the notice is annexed hereto.

Date : 06.05.2009
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

The members in the 21st Annual General Meeting held on 1st September 2007 had approved the appointment of Mr.Ashwin C Muthiah and his office was liable to determination by retirement of Directors by rotation. In the Board meeting held on 24th February 2009 Mr.Ashwin C Muthiah was appointed as Chairman subsequent to the resignation of Dr.A.C. Muthiah. Hence, members are requested to approve the Chairman's office as non-rotational. The Board recommends this resolution and none of the directors except Mr. Ashwin C Muthiah are interested in the above resolution.

Item No.7

Mr.N.Suryanarayanan was appointed as an Additional Director of the Company by the Board of Directors at the meeting held on 6th May 2009 in terms of Section 260 of the Companies Act, 1956 read with Article 97 of the Articles of Association of the Company with effect from 06.05.2009. Mr.N.Suryanarayanan holds office up to 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.N.Suryanarayanan as a Director of the Company, liable to retirement by rotation.

The Board commends the election of Mr. N. Suryanarayanan as Director of the company for the approval of members. None of the directors except Mr. N. Suryanarayanan are interested in the above resolution.

Item No.8

Mr. G. Ramachandran is a Chemical Engineer with a post graduate degree in Business Administration and possesses over 35 years of Industrial experience in Fertilizers and Petrochemical Industries. He worked for SPIC for 16 years before joining MPL. He has rich experience in designing, operating and commissioning of large fertilizer and petrochemical plants.

Mr. G.Ramachandran was Managing Director for the period from 27.10.2000 to 26.10.2005 and was re-appointed for the period from 27.10.2005 to 31.08.2009 and the same was approved by the members in the Annual General Meeting held on 10th September 2005. The members in the Annual General Meeting held on 01.09.2007 approved his current remuneration package which is valid till his tenure up to 31st August 2009.

The Remuneration committee in their meeting held on 6th May 2009 recommended to the Board the continuation of the services of Mr. G. Ramachandran, Managing Director for a further period of three years which was also approved by the Board in the meeting held on 6th May 2009. The terms and conditions will continue to remain the same as approved by the members in the Annual General Meeting held on 01.09.2007.

The terms and conditions of remuneration to Mr. G. Ramachandran, Managing Director of the Company are as follows :-

- 1) Salary of Rs. 90,000/- per month.
- 2) Performance Linked Pay of Rs.10.00 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.16.20 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 perquisite so as not to exceed the limit of Rs.16.20 lakhs per annum.

Other payments and provisions, which shall not be included in the computation of the ceiling on remuneration for the above revision in pay are:

(i) Encashment of Leave

As per rules of the Company.

(ii) Car

Provision of Company's car with driver for business and personal use.

(iii) Telephone

Provision of telephone at residence.

(iv) Reimbursement of Expenses

a) 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.

b) 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.G.Ramachandran, Managing Director, 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.G.Ramachandran 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.G.Ramachandran, Managing Director is holding 1725 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 are interested in the above resolution.

Date : 06.05.2009

Registered Office:

SPIC HOUSE

88 Mount Road, Guindy,

Chennai - 600 032.

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

G S LAKSHMI NARASIMHAN
COMPANY SECRETARY



**Brief Resume of the Directors seeking election / re-appointment in the
23rd Annual General Meeting.**

1. **Mr. G. Raghavendran** was appointed as Director on the Board effective 26.10.1992. He was formerly Managing Director of the Company. He is a Chemical Engineer with more than 50 years of industrial experience. He has a long and varied experience in petroleum and petrochemical industries. He served as General Manager in Chennai Petroleum Corporation Limited, a public sector undertaking, prior to becoming the Chief Executive of MPL.

Mr.G.Raghavendran holds 4725 equity shares of the Company.

2. **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.

3. **Mr.N.Suryanarayanan** was appointed as a Director on the Board effective 6th May 2009. He is the Chief Financial Officer of M/s.Southern Petrochemical Industries Corporation Limited. He holds a Bachelor Degree in Commerce and he is an Associate Member of the Institute of Chartered Accountants of India. He carries with him rich experience and knowledge in the areas of accounts and finance gained over the years from renowned companies like Hindustan Lever Limited (now Hindustan Unilever Limited), Tata Telecom and Lucas-TVS. Prior to joining SPIC he was associated with SRF Limited as Vice President Corporate Finance. He is also a Director in M/s.Indo Jordon Chemicals Company Limited & Technip India Limited.

Mr. N. Suryanarayanan does not hold any equity shares of the Company.

4. **Mr.G.Ramachandran** - Please refer item no.8 under explanatory statement in pages 2 & 3

DECLARATION

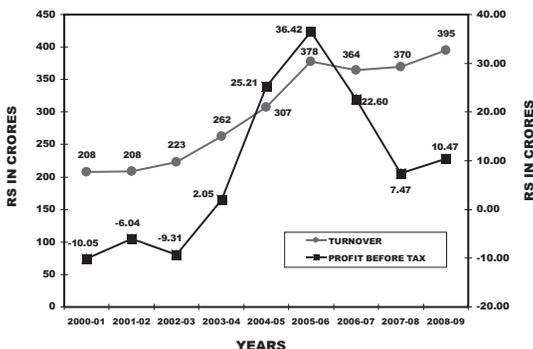
To
The Members of the Manali Petrochemical Ltd.

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.

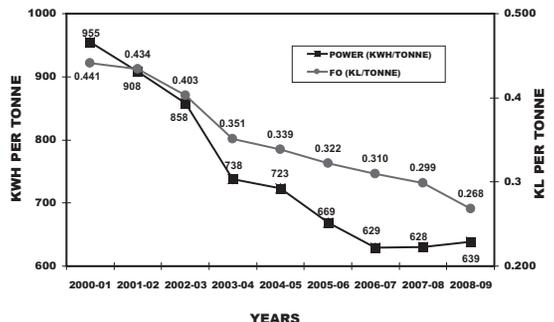
Place : Chennai
Date : 6th May 2009

G. RAMACHANDRAN
MANAGING DIRECTOR

SALES TURNOVER & PROFIT BEFORE TAX / LOSS - YEARWISE SCENARIO



SPECIFIC CONSUMPTION OF POWER & FUEL OIL





REPORT OF THE DIRECTORS AND MANAGEMENT DISCUSSION & ANALYSIS

To
The Shareholders

The Directors present their 23rd Annual Report on the business and operations of your company and the Audited Statement of Accounts for the year ended 31st March 2009.

FINANCIAL RESULTS (Rs in Crores)

DESCRIPTION	2008-09	2007-08
Profit Before Interest and Depreciation	18.77	17.43
Interest	0.55	(0.04)
Depreciation	7.75	10.00
Profit Before Tax	10.47	7.47
Provision for Taxation	3.44	1.46
Profit After Tax	7.03	6.01
Cash Profit	17.14	16.85

During the year, the Company achieved a profit before tax of Rs.10.47 Crores and a profit after tax of Rs.7.03 Crores. Despite abnormal fluctuations in crude oil prices and recessionary conditions, the Company managed to withstand the pressures to achieve the above net profit bettering the performance of the previous year. The depreciation of the Indian rupee and higher selling prices in the first half of the year despite a marginal decrease in quantum of sales contributed to a higher turnover. The second half of the year saw steep drop in prices and the company responded by dropping the selling prices in tune with the landed cost of imported products to maintain volume. The trend of the profits and sales turnover of the past few years are as per graph on Page 4.

OPERATIONAL HIGHLIGHTS

Your Company achieved a record annual production of both propylene oxide and polyol. Your company also recorded the highest ever sales turnover.

Capacity utilization was maintained above 100% as was done in the last few years which helped the company to record better profits in spite of the narrowing gap between the raw materials and selling prices. Since the company kept pace with the landed cost of imported products in spite of the fluctuations, the selling volumes remained healthy except for a dip during the middle of the year. The company continued its strict control on the specific consumption of raw materials and energy thereby improving the profitability.

The bio-mass fired 4.2MW co-generation captive power plant was successfully commissioned towards the end of the third quarter, after the trial runs and the operation of the facility at the right time helped offset the problems created by power consumption restrictions. The full benefits of the power plant would be derived in the next financial year.

DIVIDEND

Your Directors recommend a 5% dividend i.e. Rs. 0.25 for every equity share of Rs. 5/- each fully paidup, for the year 2008-09, aggregating to Rs. 4.30 crores.

MARKET SCENARIO

The year saw a slight decrease in the sales quantity of propylene glycol due to recessionary pressures and steep fall in selling prices. However, this situation helped the company in increasing the sales volume of the slab stock polyol as more customers resorted to indigenous buying. Though the total quantum of sales remained more or less static the turnover improved

to Rs.394.80 Crores compared to Rs.369.55 Crores of the previous year due to reasons explained earlier. In the system segment, selective targeting with lower prices by the multinational companies, resulted in lower turnover in certain areas but was offset by improved turnover in some other areas, maintaining the balance. We hope to optimize the various grades of system polyols in the ensuing year.

FUTURE OUTLOOK AND NEW PRODUCTS

Polyurethane industries is the "limelight industry" and it continues to grow around 12%. More automobile companies have started production in India and this is expected to increase the demand. We are also introducing newer systems to meet their demands. The white goods sector is growing steadily in spite of the recessionary pressures. Hence it is felt that future outlook of this industry is encouraging. The company will grow along with the market growth.

OPPORTUNITIES AND THREATS

Duty levels are already very low and hence positive market conditions and good future outlook are the opportunities available to the company for improving its market share. At the same time, the recessionary trend in other parts of the world would also affect the Indian market through low priced dumping of products and general pessimism in the market.

RISKS AND CONCERNS

Chennai Petroleum Corporation Ltd (CPCL) is the single source of supply of propylene. This is a big risk. Any outages of the propylene recovery plant can upset the production of your company. However, the chemical terminal at Ennore would probably help your company to manage any unforeseen outages effectively and ensure continuous supply of products.

Time taken and the cost for inland transportation of products from Chennai to Western and Northern markets are becoming a concern. CIF prices of imported products to Chennai or any other part in India is virtually the same. The credit policy, low interest rates offered for credit period by multinational companies / their dealers in India are also points of concern in improving our market further.

ENVIRONMENT AND SAFETY

Your company was re-certified during August 2008 for both ISO-9001 and ISO-14001. Continuous periodic and bi-annual surveillance audits are being conducted. The last surveillance audit was done on 20th March 2009. The next surveillance audit is planned during July 2009.

CONSERVATION OF ENERGY

As required under Sec.217(1)(e) of the Companies Act, 1956 read with Rule-2 of the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, information on conservation of energy, technology absorption, foreign exchange earnings and outgo, are as per Annexure forming part of this report.

FIXED DEPOSITS

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

INDUSTRIAL RELATIONS

As of 31st March 2009, your company had 354 employees on its rolls including engineers and technicians recruited recently through training programmes. The fresh engineers / diploma / graduate degree holders, after training will be inducted into permanent services of the company to fill up vacancies that arise due to resignations.



PARTICULARS OF EMPLOYEES

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

DIRECTORS

Dr.A.C.Muthiah, Chairman resigned from the Board with effect from 24th Feb 2009 due to personal reasons. Mr. Ashwin C. Muthiah was appointed as Chairman.

Mr.S.Susai, Director resigned from the Board with effect from 11th July 2008 and Mr.B.Viswabarathy, Senior General Manager (Finance) of TIDCO was nominated in his place with effect from 11.07.2008. Mr.M.H.Avadhani, Director resigned from the Board with effect from 17th April 2008.

The Board wishes to place on record the yeoman services rendered by Dr.A.C.Muthiah during his tenure as the Chairman of the company and the valuable services rendered by Mr.S.Susai and Mr.M.H.Avadhani during their respective 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 2009, 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 judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review.
- (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, 2009 on a 'going concern' basis.

CORPORATE GOVERNANCE

Your Company has complied with the requirements regarding Corporate Governance as required under Revised Clause 49 of the Listing Agreement entered into with the Stock Exchanges, where the Company's shares are listed. A Report on the Corporate Governance in

this regard is made a part of this Annual Report and a Certificate from the Auditors of your Company regarding compliance of the conditions of the Corporate Governance is attached to this report.

COMPULSORY DEMAT

As announced by SEBI vide its Circular Ref. No.SMDRP / POLICY / CIR-9 / 2000, dt. 16.2.2000, the shares of the Company are traded compulsorily in dematerialised form by all investors with effect from 8.5.2000. 50.44% of shares of your company have been dematted compared to 49.96% 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 2008-2009.

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 and patient support.

The Directors also place on record their appreciation of the consistent good work put in by all cadres of employees.

For and on behalf of the Board

ASHWIN C MUTHIAH

CHAIRMAN

CHENNAI – 600 032

DATE : 6th May, 2009

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 2009

Name	Designation and Nature of Duties	Age	Qualification	Experience (Years)	Last Employment and post held	Date of Commencement of Employment	Gross Remuneration (Rs.)
G Ramachandran*	Managing Director	57	B.Tech., MBA	35	SPIC Ltd., Senior Manager	01.08.1989	38,27,240
K K Rajagopalan*	Director (Finance)	58	B.E., PGDM	36	SPIC Ltd., Executive Director (Finance)	20.04.2000	32,78,649

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



ANNEXURE TO DIRECTORS' REPORT

Conservation of Energy, Technology absorption and Foreign Exchange Earnings and Outgo as required under Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 for the year ended 31st March 2009.

A) CONSERVATION OF ENERGY

- a) Energy conservation measure taken :-
- Revamping of Glycol distillation columns with structured packing has increased the capacity utilisation by about 25%, without substantial increase in consumption of energy.
 - Installation of cooling tower in Effluent Treatment plant.
 - Usage of alternate neutralising technology has resulted in reduction in cycle time, improved productivity and reduced energy consumption.
 - Biomass Based Cogeneration power plant has been

commissioned.

- b) Additional investment and proposals, if any being implemented for reduction of consumption of energy :-
- Revamping of Propylene Oxide plant at Plant-2
 - Polyol Heat Recovery at plant-2
- 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.254 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.195 Lakhs per annum.

FORM – A (See Rule-2)

	Year Ended 31.03.2009	Year Ended 31.03.2008
(A) Power and Fuel Consumption		
1. ELECTRICITY		
a) Purchased		
Units	20164314	26644029
Amount (Rs) (i.e.cost paid to TNEB)	8,73,90,928	11,40,82,697
Rate per Unit (Rs.)	4.33	4.28
b) Own Generation		
1. Through Diesel Generator (Units)	3426622	263075
Unit per litre of Diesel	3.02	3.33
Cost per Unit (Rs.)	11.58	9.51
2. Through Steam Turbine (Units) (NET)	4336785	Nil
Units per MT of Wood, net of Cogeneration steam	430.49	Nil
Cost per Unit (Rs.)	5.76	Nil
2. Coal (Specify quality & where used)	Nil	Nil
3. Furnace Oil (Qty in KL)	11433	12816
Amount (Rs.)	26,74,40,236	22,95,34,034
Average Rate (Rs./KL)	23,391	17,910
4. Others / Internal Generation	Nil	Nil
Wood : Quantity (in MT)	10074	Nil
Amount (in Rs.)	2,49,65,340	Nil
Average Rate (Rs./MT)	2478	Nil
(B) Consumption per unit of production with standards (if any)		
Production (in MT)	42,731	42,827
Electricity in Units	639	628
Furnace Oil in KL	0.268	0.299
Coal	Nil	Nil
Others	0.236	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.
- Improved formulations for automotive seatings.
- Speciality polyol for improved mechanical properties of flexible automotive seatings.

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

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

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: Activities relating to Exports, Initiatives to increase exports, Development of new export markets for products & services, export plants.

With the newer products developed, we are replacing imported products into the country by making available the import substitutes; thus the benefit is derived by the country by reduction in import of high value imported products. Our production capacity is lower than the country's consumption and hence any product produced and sold substituting an import is similar to a deemed export. Hence, the company does not make any special effort to find export markets.

Eventhough, our primary emphasis is on meeting the indigenous market, we had exported propylene glycol and some grades of polyol to Germany and Sri Lanka directly and on "Deemed Export" basis within the country to have an economic and strategic advantage.

(Rs. in lakhs)

b) i) Foreign Exchange Earnings – exports sales (FOB) - 82.50
ii) Foreign Exchange outgo (on cash basis) - 5060.12



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 2008-2009)

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 (including MPL)	
				Member	Chairman
Dr A C Muthiah @@@	2250	6	-	-	-
Mr. Ashwin C Muthiah	-	4	11	3	-
Mr.M H Avadhani @**		1	-	-	-
Mr. G Raghavendran**	4725	6	-	1	-
Mr. M Sivagnanam**	-	6	-	2	1
Mr.S.Susai (Nominee of TIDCO) @@**		1	-	-	-
Mr. Babu K Verghese**	300	5	1	4	2
Mr.B.Viswabarathy (Nominee of TIDCO) **#	-	4	2	4	-
Mr. G Ramachandran	1725	6	1	-	-
Mr. K K Rajagopalan	1650	6	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 17.04.2008

@@ Resigned with effect from 11.07.2008

@@@Resigned with effect from 24.02.2009

Nominated by TIDCO with effect from 11.07.2008

Mr Ashwin 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 20th Sep 2008.

6 Board Meetings were held during the financial year 2008 - 2009, as against the minimum requirement of 4 meetings. The dates on which the meetings were held are given below:

17.04.2008, 15.07.2008, 20.09.2008, 21.10.2008, 27.01.2009 and 24.02.09

(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 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 meetings Attended
1	Mr. M Sivagnanam	Chairman	4
2	Mr. M H Avadhani*	Member	1
3	Mr. G Raghavendran	Member	4
4	Mr. S. Susai **	Member	1
5	Mr. B.Viswabarathy***	Member	2

* Resigned with effect from 17.04.2008.

** Resigned with effect from 11.07.2008.

*** Nominated by TIDCO with effect from 11.07.2008

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 Gopalan, Cost Auditor, representative from the Internal Auditors M/s.Venkatesh & Co., attended the meetings of the Committee as invitees. The committee met four times during the year 2008-09 on 17.04.2008, 15.07.2008, 21.10.2008, and 27.01.2009.

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, on 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.B.Viswabarathy, 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 17th April 2008.

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	30000	-	-	-	30000
Mr. Ashwin C Muthiah	20000	-	-	-	20000
Mr. M H Avadhani	5000	5000	-	-	10000
Mr. G Raghavendran	30000	20000	-	-	50000
Mr. M Sivagnanam	30000	20000	46000	2000	98000
Mr. S. Susai (Nominee of TIDCO)	5000	5000	-	2000	12000
Mr. Babu K Verghese	25000	-	46000	2000	73000
Mr. B. Viswabarathy (Nominee of TIDCO)	20000	10000	-	-	30000
Total	165000	60000	92000	6000	323000

* 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.	28.23	3.75	6.29	38.27
2	K.K. Rajagopalan, Director (Finance).	24.28	2.93	5.58	32.79
	Total	52.51	6.68	11.87	71.06

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. M.Sivagnanam	Director
3.	Mr. G.Ramachandran	Managing Director

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

The committee met 23 times during the year.

During the year, 147 complaints were received from the shareholders and were satisfactorily resolved. There was no pending complaint from the shareholders as on 31.3.2009.

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 13 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 6th May 2009.

8. GENERAL BODY MEETINGS:

Location and time, where last three AGMs were held:

Year	Location	Date	Time
2007-08	Rajah Annamalai Mandram, Esplanade, (Near High Court), Chennai - 600 108	20.09.2008	10.35 A.M.
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.

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.
---------	---	------------	------------

Details of Special Resolutions passed in the last 3 Annual General Meetings

Date of AGM/EGM	Whether any Special Resolution was passed	Particulars
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).
20.09.2008 (AGM)	Yes	For the reappointment of Mr.K.K.Rajagopalan, Whole time Director incharge of finance of the Company for the period from 01.10.2008 to 30.09.2010 as per current terms and conditions of remuneration.
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 23rd 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.

Annual General Meeting for the : End of September 2010
year ended March 31,2010

iii) **Dates of Book Closure** : 10.09.2009 to 17.09.2009
(both days inclusive)

iv) **Dividend payment date** : September / October, 2009

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

10. Shareholder Information:

i) Annual General Meeting

Date : 17.09.2009
Time : 10.00 AM
Venue : Rajah Annamalai Mandram, Esplanade,
Chennai – 600 108.

ii) Financial Calendar

Financial reporting for –

Quarter ending June 30, 2009 : End of July 2009
Quarter ending Sept. 30, 2009 : End of October 2009
Quarter ending Dec. 31, 2009 : End of January 2010
Year ending March 31, 2009 : End of June 2010

vii) Stock Market Data:

(in Rupees)

Year 2008-2009	National Stock Exchange		Bombay Stock Exchange	
	Month's High price	Month's Low price	Month's High price	Month's Low price
April	15.75	12.50	15.75	12.55
May	20.25	12.85	21.14	12.90
June	15.30	11.30	15.16	11.18
July	12.35	10.20	12.26	10.17
August	12.65	11.05	12.62	11.01
September	11.90	8.15	11.80	8.06
October	9.40	6.35	9.40	6.75
November	8.40	5.35	8.95	6.16
December	9.00	6.20	9.35	6.25
January	9.70	6.80	10.09	6.80
February	8.00	6.55	7.99	6.50
March	7.70	6.00	7.40	6.02

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: investor@cameoindia.com



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 31.3.2009)

No. of shares	No. of Share holders	% of share holders	No. of Shares held	% of share holding
1 - 100	18005	10.6302	1182851	0.6877
101 - 500	122280	72.1944	28158042	16.3710
501 - 1000	17144	10.1219	13522708	7.8620
1001 - 2000	7136	4.2131	10792273	6.2746
2001 - 3000	1973	1.1649	5185539	3.0148
3001 - 4000	739	0.4363	2696374	1.5677
4001 - 5000	652	0.3849	3099330	1.8020
5001 - 10000	850	0.5018	6304407	3.6654
10001 & above	597	0.3525	101057705	58.7548
Total	169376	100.0000	171999229	100.0000

(b) Categories of Shareholders (as on 31.3.2009)

Category	No. of Share Holders	% of share holders	No. of Shares held	% of share holding
Promoter & Associates	2	0.001	77078553	44.813
Individual	162695	96.055	77631866	45.135
Corporate	1405	0.830	10135543	5.893
Financial Institutions	8	0.005	4593095	2.671
NRI/OCBs	5254	3.102	2541497	1.478
Banks	12	0.007	18675	0.010
Total	169376	100.000	171999229	100.000

xi) Dematerialisation of shares and Liquidity :

2689 Number of Demat requests for dematerialisation of 8,27,155 equity shares were approved during the year 2008–2009.

50.44 % of the shares have been dematerialised upto 31st March 2009 as against 49.96% for the previous year ended 31st March 2008. 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 67306 and 24977 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 are no GDRs / ADRs / Warrants or any convertible instruments and hence there is no impact on equity.

xiii) Plants 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: investor@cameoindia.com

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 2009 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 : 6th May, 2009



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 2009 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 sub-section (4A) of Section 227 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 2009 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, 2009;
 - (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

Membership No.29519

Place : Chennai

Date : 6th May, 2009

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 to 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 to 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. 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 2009 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), (d) and (e) 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. The company has not issued any debentures.
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.

For Deloitte Haskins & Sells
Chartered Accountants
Geetha Suryanarayanan
Partner
Membership No.29519

Place : Chennai
Date : 6th May, 2009



Balance Sheet as at March 31, 2009

(Rs. In Lakhs)

	Schedule	As at March 31, 2009		As at March 31, 2008
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	1	8603.47		8,603.47
Reserves and Surplus	2	2782.80		2,582.70
Loan Funds				
Secured	3	995.34		1,525.80
Unsecured	4	-		128.96
Deferred Tax Liability (Net)		<u>897.83</u>		<u>632.62</u>
		<u>13279.44</u>		<u>13473.55</u>
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	5	24,668.24	20,695.25	
Less : Accumulated Depreciation		<u>18,068.48</u>	<u>17,416.90</u>	
Net Block		<u>6,599.76</u>	<u>3,278.35</u>	
Capital Work -in-Progress		<u>929.45</u>	<u>3,333.93</u>	6612.28
Investments	6	<u>1710.77</u>		1,609.98
Current Assets, Loans and Advances				
Inventories	7	3,220.56	4,300.07	
Sundry Debtors	8	2,660.13	3,332.25	
Cash and Bank Balances	9	422.09	456.12	
Loans and Advances	10	<u>1,379.83</u>	<u>1,360.00</u>	
		<u>7,682.61</u>	<u>9,448.44</u>	
Less: Current Liabilities and Provisions				
Current Liabilities	11	2,998.21	3,098.62	
Provisions	12	<u>644.94</u>	<u>1,107.88</u>	
Net Current Assets		<u>4039.46</u>		5241.94
Deferred Revenue Expenditure	13	-		9.35
(To the extent not Written off or adjusted)				
		<u>13279.44</u>		<u>13473.55</u>
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

GEETHA SURYANARAYANAN

Partner

Place : Chennai

Date : 6th May, 2009

G.S. LAKSHMI NARASIMHAN

Company Secretary

For and on behalf of the Board of Directors

ASHWIN C MUTHIAH

Chairman

G RAMACHANDRAN

Managing Director

M.SIVAGNAMAM

Director

K K RAJAGOPALAN

Director (Finance)



Profit & Loss account for the year ended 31st March 2009

(Rs. In Lakhs)

	Schedule	For the year ended March 31, 2009	For the year ended March 31, 2008
INCOME			
Sales		39479.94	36955.20
Less: Excise Duty on Sales		4163.13	4608.42
Net Sales		35316.81	32346.78
Other Income	14	210.81	439.12
		<u>35527.62</u>	<u>32785.90</u>
EXPENDITURE			
Raw materials and Packing Materials Consumed		21130.78	19466.18
Purchase of Traded Goods		2826.36	3654.34
Power and Fuel		4444.00	3461.18
Employee Cost	15	1167.04	1122.16
Other Expenses	16	3218.18	2649.58
Decrease/(Increase) in Stock	17	854.87	660.35
Deferred Revenue Expenditure Written-off	13	9.35	29.28
		<u>33650.58</u>	<u>31043.07</u>
Profit Before Interest and Depreciation		1877.04	1742.83
Interest (net)	18	54.49	(3.84)
Depreciation		775.76	1000.02
Profit Before Tax		<u>1046.79</u>	<u>746.65</u>
Provision for Tax		111.75	464.84
MAT Credit Entitlement		(39.48)	
Deferred Tax (Asset)/Liability		265.21	(325.67)
Provision for Fringe Benefit Tax		6.13	6.54
Profit After Tax		<u>703.18</u>	<u>600.94</u>
Balance brought forward		2491.25	2916.08
Adjustments for change in accounting policy			(19.61)
Amount available for appropriations		<u>3194.43</u>	<u>3497.41</u>
Appropriations:			
Proposed Dividend		430.00	860.00
Dividend Tax thereon		73.08	146.16
Balance Carried over to Balance Sheet		2691.35	2491.25
Total		<u>3194.43</u>	<u>3497.41</u>
Basic and Diluted Earnings Per Equity Share of Rs.5.00 each (Refer Note No.B14 of Schedule 19)		0.41	0.35
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

GEETHA SURYANARAYANAN

Partner

Place : Chennai

Date : 6th May, 2009

G.S. LAKSHMI NARASIMHAN

Company Secretary

For and on behalf of the Board of Directors

ASHWIN C MUTHIAH

Chairman

G RAMACHANDRAN

Managing Director

M.SIVAGNAMAM

Director

K K RAJAGOPALAN

Director (Finance)



CASH FLOW STATEMENT

(Rs. in Lakhs)

	2008-09	2007-08
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit as per Profit and Loss A/c Before Tax	1,046.79	746.65
Adjustments for:		
Depreciation	775.76	1,000.02
Dividend received	(54.37)	(218.90)
Interest Expense	131.25	111.45
Interest Income	(76.76)	(115.29)
Provision for doubtful debts no longer required	(0.10)	(27.04)
Deferred Revenue Exp.	9.35	29.28
Foreign Exchange Fluctuations	186.86	(70.14)
Loss on sale/retirement of assets	14.71	(3.61)
	<u>986.70</u>	<u>705.77</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	2033.49	1452.42
Adjustment for:		
Inventories	1079.51	646.24
Debtors	696.73	(319.06)
Loans & Advances	(42.30)	362.51
Trade Payables	(403.31)	19.77
Net Cash From Operating Activities before Income Tax	<u>3364.12</u>	<u>2161.88</u>
Direct Taxes/ Fringe Benefit Tax paid	(49.80)	(52.76)
Net Cash From Operating Activities	3314.32	2,109.12
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets , CWIP & Capital Advance	(1707.41)	(2,702.87)
Proceeds from sale of Fixed Assets	0.01	11.54
Interest Received	52.25	86.56
Dividend Received	54.37	218.90
Net Cash used in investing activities	(1600.78)	(2385.87)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of long term borrowings	(532.80)	(644.62)
Repayment/Proceeds from short term borrowings	(126.62)	77.41
Interest Paid	(131.25)	(111.45)
Dividend Paid	(709.95)	(764.24)
Corporate Dividend Tax Paid	(146.16)	(146.16)
Net Cash Used in Financing Activities	(1646.78)	(1589.06)
Net Increase in Cash and Cash equivalents	66.76	(1865.81)
Cash and Cash Equivalents As At 1 st April [Opening Balance]	2065.65	3931.46
Cash and Cash Equivalents As At 31 st March [Closing Balance]	2132.41	2065.65

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 : 6th May, 2009

G.S. LAKSHMI NARASIMHAN

Company Secretary

For and on behalf of the Board of Directors

ASHWIN C MUTHIAH

Chairman

G RAMACHANDRAN

Managing Director

M.SIVAGNAMAM

Director

K K RAJAGOPALAN

Director (Finance)



SCHEDULES TO FINANCIAL STATEMENTS

(Rs. In Lakhs)

	As at March 31, 2009	As at March 31, 2008
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)	<u>11,466.62</u>	<u>11,466.62</u>
Less: Reduction in Share Capital	<u>2,866.66</u>	<u>2,866.66</u>
	<u>8,599.96</u>	<u>8,599.96</u>
Add: Shares Forfeited	<u>3.51</u>	<u>3.51</u>
	<u>8,603.47</u>	<u>8,603.47</u>
2 Reserves and Surplus		
Share Premium Account	<u>91.45</u>	<u>91.45</u>
Profit & Loss Account	<u>2,691.35</u>	<u>2,491.25</u>
	<u>2,782.80</u>	<u>2,582.70</u>
3 Secured Loans		
Cash Credit from Banks	<u>568.45</u>	<u>695.07</u>
Interest Free Sales Tax Loan *	<u>426.89</u>	<u>830.73</u>
	<u>995.34</u>	<u>1,525.80</u>
* Due for repayment within a year Rs.426.89 lakhs (Previous Year Rs.403.84 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 institutions 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 **	<u>-</u>	<u>128.96</u>
	<u>-</u>	<u>128.96</u>

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



SCHEDULES TO FINANCIAL STATEMENTS

5 Fixed Assets

(Rs. in Lakhs)

Particulars	Original Cost				Depreciation				Net Block	
	As at Apr. 1, 2008	Additions during the year	Deletions during the year	As at Mar. 31, 2009	As at Apr. 1, 2008	For the Year	On Deletions	As at Mar. 31, 2009	As at Mar. 31, 2008	
Land	179.75	-	-	179.75	-	-	-	179.75	179.75	
Development on lease hold land	20.25	-	-	20.25	10.43	1.07	-	8.75	9.82	
Buildings	802.94	522.77	-	1,325.71	345.24	27.18	-	953.29	457.70	
Plant and Machinery	18,988.68	3,571.52	131.14	22,429.06	16,483.54	726.86	117.68	5,336.34	2,505.14	
Furniture and Fixtures	108.01	0.52	2.36	106.17	96.02	2.30	2.07	9.92	11.99	
Office Equipments	74.83	13.98	5.28	83.53	37.94	4.12	4.32	45.79	36.89	
Computers	335.35	0.41	-	335.76	287.82	11.51	-	36.43	47.53	
Vehicles	185.44	2.69	0.12	188.01	155.91	2.72	0.11	29.49	29.53	
Capital Work-in-Progress (including Capital advances)	20,695.25	4,111.89	138.90	24,668.24	17,416.90	775.76	124.18	6,599.76	3,278.35	
Previous Year's Total	20,580.05	181.08	65.88	20,695.25	16,474.84	1,000.02	57.96	3,278.35	4,105.21	

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

(Rs. In Lakhs)

	As at March 31, 2009	As at March 31, 2008
6 Investments		
Long Term (Non-Trade) - Quoted		
500 Equity Shares of Rs 10 each fully paid up in Chennai Petroleum Corporation Limited (Market Value - Rs.0.47 lakhs [Previous Year Rs.1.41 lakhs])	0.45	0.45
Current (Non-Trade) - Unquoted		
(At cost or market value, whichever is lower)		
(Refer Note No.B3 to Schedule 19)		
UTI Liquid Fund	709.12	108.53
(No. of units - 70,892 [Previous Year - 10,632])		
UTI Fixed Maturity Plan	1,001.20	1,501.00
(No. of units - 1,00,00,00,000 [Previous Year - 1,49,98,70,017])		
	1,710.77	1,609.98
7 Inventories		
Stores and Spares	454.96	637.03
Raw Materials	915.04	1,146.24
Raw Materials in Transit	476.38	287.75
Work-in-Process	155.21	244.49
Finished Goods		
-- Manufacturing	915.15	1,506.24
-- Trading	303.82	478.32
	3,220.56	4,300.07
8 Sundry Debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
Considered Good	156.81	144.78
Considered Doubtful	273.73	273.83
	430.54	418.61
Other Debts Considered Good	2,503.32	3,187.47
	2,933.86	3,606.08
Less: Provision	273.73	273.83
	2,660.13	3,332.25
9 Cash and Bank Balances		
Cash & Cheques on Hand	30.18	31.76
Balances with Scheduled Banks :		
-- in Current Accounts	290.12	325.43
-- in Margin Money Deposits	101.79	98.93
	422.09	456.12



SCHEDULES TO FINANCIAL STATEMENTS

(Rs. In Lakhs)

	As at March 31, 2009	As at March 31, 2008
10 Loans and Advances (Unsecured)		
Considered Good		
Advances Recoverable in cash or in kind or for value to be received	798.75	675.42
MAT Credit Entitlement	217.65	178.17
Prepaid Taxes (net of provision - Previous Year Rs.464.84 lakhs)	-	22.39
Deposits		
-- Statutory Authorities	212.13	224.54
-- Others	24.12	19.93
Balance with Excise, Customs and Sales tax Authorities	<u>127.18</u>	<u>239.55</u>
	<u>1,379.83</u>	<u>1,360.00</u>
11 Current Liabilities		
Acceptances	563.86	132.51
Total outstanding dues of Micro enterprises & Small enterprises (Refer Note No.4 to Schedule 19)	-	-
Total outstanding dues of Creditors other than Micro enterprises & Small enterprises	2229.73	2591.31
Unclaimed Dividend **	150.04	95.76
** No amount is due as on 31st March 2009 to be transferred to Investor Education & Protection Fund.		
Other Liabilities	<u>54.58</u>	<u>279.04</u>
	<u>2998.21</u>	<u>3098.62</u>
12 Provisions		
For Employee Benefits	120.15	101.72
For Proposed Dividend	430.00	860.00
For Dividend Tax	73.08	146.16
For Income Tax	21.71	-
(Net of Income Tax paid of Rs.49.80 lakhs)		
	<u>644.94</u>	<u>1107.88</u>
13 Deferred Revenue Expenditure (To the extent not Written off or adjusted)		
Research and Development		
As per last Balance Sheet	9.35	28.50
Less: Written off during the year	<u>9.35</u> -	<u>19.15</u> 9.35
Voluntary Retirement Scheme		
As per last Balance Sheet	0.00	10.13
Less: Written off during the year	<u>0.00</u> -	<u>10.13</u> 0.00
	<u>-</u>	<u>9.35</u>
	For the year ended March 31, 2009	For the year ended March 31, 2008
14 Other Income		
Sale of Scrap	76.38	72.66
Profit on sale of asset (net)		3.61
Provision for Doubtful Debts no longer required Written back	56.52	27.04
Provision for Discounts no longer required Written back	<u>0.10</u> 56.62	<u>-</u> 27.04
Dividend		
-Traded	0.09	0.05
- Non-traded	<u>54.28</u> 54.37	<u>218.85</u> 218.90
Foreign Exchange Fluctuations (net)		70.14
Miscellaneous Income	<u>23.44</u>	<u>46.77</u>
	<u>210.81</u>	<u>439.12</u>



SCHEDULES TO FINANCIAL STATEMENTS

(Rs. In Lakhs)

	For the year ended March 31, 2009	For the year ended March 31, 2008
15 Employee Cost		
Salaries , Wages and Bonus	823.06	772.20
Contribution to Provident Fund and Other Funds	99.61	134.80
Staff Welfare Expenses	<u>244.37</u>	<u>215.16</u>
	<u>1167.04</u>	<u>1122.16</u>
16 Other Expenses		
Consumables	30.65	16.80
Water	649.65	568.16
Rent	18.32	27.07
Rates and Taxes	60.73	62.12
Repairs and Maintenance :		
-- Machinery	926.76	760.13
-- Building	103.16	84.81
-- Others	110.33	101.76
Insurance	123.60	139.42
Discount	673.93	671.15
Agency Commission	139.34	134.17
Directors Sitting fees	3.38	3.35
Foreign Exchange Fluctuations (net)	186.86	-
Asset Discarded	14.71	-
Excise Duty	(120.91)	(185.38)
Miscellaneous Expenses	<u>297.67</u>	<u>266.02</u>
	<u>3218.18</u>	<u>2649.58</u>
17 Decrease/(Increase) in stock		
Opening Stock		
Finished goods	1,506.24	2,373.17
Work - in - process	244.49	179.02
Traded Goods	<u>478.32</u>	<u>337.21</u>
	2,229.05	2,889.40
Less: Closing Stock		
Finished goods	915.15	1,506.24
Work - in - process	155.21	244.49
Traded Goods	<u>303.82</u>	<u>478.32</u>
	1,374.18	2,229.05
Decrease/(Increase) in stock	<u>854.87</u>	<u>660.35</u>
18 Interest and finance charges		
Interest	131.25	111.45
Less: Interest Income		
- Customers	66.16	83.87
- Margin Money Deposits	10.33	31.14
- Others	0.27	0.28
(Tax deducted at source Rs.17.79 Lakhs, Previous year Rs.20.87 lakhs)		
	<u>54.49</u>	<u>(3.84)</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 and 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 Notes on Accounts (Continued)

1 Estimated value of contracts remaining to be executed on capital account (net of advances) and not provided for is Rs. 434.59 lakhs (previous year Rs.2056.52 lakhs).

2 Contingent Liabilities

	As at 31st March 2009 (Rs. in lakhs)	As at 31st March 2008 (Rs. in lakhs)
a) Bills discounted	196.10	293.03
b) Letters of Credit / Guarantees	1482.58	1451.14
c) Excise & Customs claims under appeal	95.00	31.47
d) Disputed Sales Tax demands	31.82	31.82
e) Commissioner of Income Tax (Appeals)	391.78	-

Nature of the Dues	Forum before which the dispute is pending	Period to which it relates	Amount (Rs. in lakhs)	Amount (Rs. in lakhs)
a) Excise Duty	Deputy Commissioner of Central Excise Customs, Excise and Service Tax Appellate Tribunal High Court of Madras DGFT, New Delhi	1991-92 & 1992-93	1.43	1.43
		2006-07	5.67	5.57
		Various Years	24.47	24.47
		2007-08	53.39	-
b) Customs Duty	High Court of Madras	1993-94	10.04	-
			95.00	31.47
c) Sales Tax	Sales tax Tribunal under Sales Tax Act High court of Madras	Various Years	28.38	28.38
		1994-95	3.44	3.44
			31.82	31.82
d) Income Tax	Commissioner of Income Tax (Appeals)	2005-06	391.78	-
			391.78	-

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

3 Short term Investment

Mutual Funds	Year Ended 31st March 2009				Year Ended 31st March 2008			
	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)	614755	6175.35	554495	5574.76	826017	8320.39	816386	8222.06
UTI Fixed Maturity Plan (Face Value Rs. 10 per Unit)	2055329371	2101.22	2555199387	2601.02	71998540	7200.00	78999840	7899.00

4 There are no dues to micro, small & medium enterprises 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.444.80 lakhs (previous year Rs.367.91 lakhs).

7 Auditors' Remuneration (included in Miscellaneous Expenses)	Year Ended 31st March 2009 (Rs. lakhs)	Year Ended 31st March 2008 (Rs. lakhs)
Audit fees	6.00	6.00
Other services	3.00	3.00
Out of pocket expenses	—	0.10
	<u>9.00</u>	<u>9.10</u>
8 Managerial Remuneration :(Included in Employee cost)		
Salaries and Allowances	52.51	52.61
Contribution to Provident and other Funds	6.68	7.50
Perquisites	11.87	11.87
	<u>71.06</u>	<u>71.98</u>

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	28629	28290
Propylene glycol	24,000	24,000	13,250	13,250	16069	16875
Polyols	37,000	37,000	14,000	14,000	15896	14251
PGMME	2,400	2,400	2,400	2,400	761	768
Di - Propylene Glycol	1,500	1,500	-	-	1381	1708
Tri - Propylene Glycol	200	200	-	-	106	128
DCP and DCIPE	4,700	4,700	-	-	5428	4478

* 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 2009		Year Ended 31st March 2008	
	Quantity (MT)	Value (Rs. in lakhs)	Quantity (MT)	Value (Rs. in lakhs)
Raw Materials				
Propylene	25979	11868.13	25589	10868.82
Chlorine	43578	1991.96	42322	2386.23
Lime	37012	1830.20	38772	1623.08
Other chemicals		4174.42		3364.38
(Individually less than 10% of consumption)				
Packing Materials				
Drums (Nos)	107885	1266.07	110943	1223.67
		<u>21130.78</u>		<u>19466.18</u>

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

	Year Ended 31st March 2009		Year Ended 31st March 2008	
	Percentage (%)	Value (Rs. in lakhs)	Percentage (%)	Value (Rs. in lakhs)
i) Raw materials :				
Imported	17.32	3659.57	9.98	1943.40
Indigenous	82.68	17471.21	90.02	17522.78
	<u>100.00</u>	<u>21,130.78</u>	<u>100.00</u>	<u>19,466.18</u>
ii) Stores and consumables :				
Imported	7.79	37.02	15.18	62.15
Indigenous	92.21	438.43	84.82	347.13
	<u>100.00</u>	<u>475.45</u>	<u>100.00</u>	<u>409.28</u>
	Year Ended 31st March 2009		Year Ended 31st March 2008	
	Qty (MT)	(Rs. in lakhs)	Qty (MT)	(Rs. in lakhs)
9(d) Trading Goods				
Opening Stock	388	478.32	258	337.21
Purchases	2104	2,826.36	3156	3,654.34
Closing Stock	240	303.82	388	478.32



	Year Ended 31st March 2009		Year Ended 31st March 2008		
	Qty (MT)	(Rs. in lakhs)	Qty (MT)	(Rs. in lakhs)	
9(e) Sales					
Manufactured Goods:					
Propylene Oxide	321	364.58	283	271.62	
Propylene Glycol	15553	14576.62	17502	14519.91	
Polyol	18926	19445.87	17361	16339.10	
Others		2051.22		2150.40	
Traded Goods	2252	3041.65	3026	3674.17	
		<u>39479.94</u>		<u>36955.20</u>	
9(f) Stock of Finished Goods					
	As at March 31, 2009		As at March 31, 2008		
Manufactured Goods:					
Propylene Oxide	59	39.31	301	260.28	
Propylene Glycol	642	410.21	165	142.97	
Polyol	480	376.78	1111	996.98	
Others		88.85		106.01	
		<u>915.15</u>		<u>1506.24</u>	
10(a) CIF Value of Imports					
	Year Ended 31st March 2009		Year Ended 31st March 2008		
Raw Materials, Stores and Consumables		3293.93		2220.10	
Traded goods		1366.31		1598.04	
		<u>4660.24</u>		<u>3818.14</u>	
10(b) Earnings in Foreign Currency					
FOB value of exports		82.50		373.34	
Freight and Insurance		3.11		14.54	
		<u>85.61</u>		<u>387.88</u>	
10(c) Expenditure in foreign currency (on payment basis)					
Travel		2.01		1.29	
Others		5.26		7.55	
		<u>7.27</u>		<u>8.84</u>	
11 (a)	The Company is engaged in the business of manufacture of Petrochemicals, which is the only segment in the context of reporting business segment in accordance with Accounting Standard 17 on segment reporting issued by The Institute of Chartered Accountants of India.				
11 (b) Geographic Segment				(Rs. in Lakhs)	
		Year Ended 31st March 2009		Year Ended 31st March 2008	
	Particulars	India	Outside India	India	Outside India
	Segment Revenue	35,234.31	82.50	31,973.44	373.34
	Segment Assets	2,655.99	4.13	3,328.56	3.69
	Total Capital Expenditure Incurred during the Year	1,707.41	-	2,702.87	-
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 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	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Net employee benefit expenses (recognised in employee cost)						
Current Service Cost	4.20	7.57	16.33	9.99	1.29	7.06
Interest cost on benefit obligation	4.52	3.50	10.27	9.11	4.13	3.52
Expected return on plan assets	4.51	2.95	10.50	8.96	-	-
Net actuarial (gain)/loss recognised in the year	(0.33)	(3.60)	9.37	12.76	9.95	7.25
Net benefit expense	3.88	4.52	25.47	22.90	15.37	17.83

Balance Sheet:

Particulars	Superannuation		Gratuity	
	As at March 31, 2009	As at March 31, 2008	As at March 31, 2009	As at March 31, 2008
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	64.71	47.90	148.18	142.65
Present value of funded obligation at the end of the year	68.59	60.32	162.74	141.46
Asset/(Liability) recognised in the balance sheet	(3.88)	(12.42)	(14.56)	1.19

Changes in the present value of the defined benefit obligation are as follows :

Particulars	Superannuation		Gratuity		Leave Salary	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Present value of obligations as at the beginning of the year	60.32	60.13	141.46	131.39	57.96	53.50
Interest cost	4.52	3.50	10.27	9.11	4.13	3.52
Current service cost	4.20	7.57	16.33	9.99	1.29	7.06
Benefits paid	0.00	20.53	14.86	20.16	6.13	13.37
Actuarial Gain on obligation	(0.45)	9.65	9.54	11.13	9.95	7.25
Present value of obligations as at the end of the year	68.59	60.32	162.74	141.46	67.20	57.96

Changes in the fair value of plan assets are as follows :

Particulars	Superannuation		Gratuity	
	As at March 31, 2009	As at March 31, 2008	As at March 31, 2009	As at March 31, 2008
Fair value of plan assets at beginning of the year	47.90	52.23	144.67	115.22
Expected return on plan assets	4.51	2.95	10.50	8.96
Contributions	12.42	-	7.70	42.28
Benefits paid	0.00	20.53	14.86	20.16
Actuarial gain on plan assets	(0.12)	13.25	0.17	(1.63)
Fair value of plan assets as at the end of the year	64.71	47.90	148.18	144.67

Major categories of Plan Assets

Particulars	(As Percentage of Total Plan Assets)		(As Percentage of Total Plan Assets)	
	Superannuation Trust		Gratuity Trust*	
	As at March 31, 2009	As at March 31, 2008	As at March 31, 2009	As at March 31, 2008
Government of India Securities	19.62	26.51	30.66	30.27
State Government Securities	12.04	16.27	19.49	19.24
High Quality Corporate Bonds	30.64	41.40	38.43	37.94
Equity shares of listed companies	-	-	-	-
Property	-	-	-	-
Special Discount scheme	-	-	-	-
Funds managed by Insurer	-	-	-	-
Others (to specify)	37.70	15.82	11.42	12.55
Total	100.00	100.00	100.00	100.00

*The composition of investments in the fair value of plan assets relating to gratuity as given above relates to Plant-I only. The Gratuity Fund relating to Plant-II is maintained with Life Insurance Corporation of India and Plant-II details could not be furnished in the absence of information from Life Insurance Corporation of India.



Principal actuarial assumptions

Particulars	Rate (%)	
	2008-09	2007-08
a) Discount rate as on 31.03.2009	7.50	7.50
b) Future salary increase *	5.00	3.50

* The estimates of future salary increases take in to account inflation, seniority, promotion and other relevant factors.

13 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 2008-09	For the year 2007-08
Southern Petrochemical Industries Corporation Limited		
Income from sales (net of discounts)	70.54	70.67
Services availed	50.08	10.27
Outstanding as at year end		
Loans & Advances	2.57 (Cr)	45.45 (Dr)
Sundry Debtors	8.21 (Dr)	5.64 (Dr)
Ind-Ital Chemicals Limited		
Purchases	-	14.95
Key Management Personnel		
Mr.G.Ramachandran		
Remuneration	38.27	38.76
Outstanding at the year end	10.96	11.34
Mr.K.K.Rajagopalan		
Remuneration	32.79	33.22
Outstanding at the year end	8.91	9.18

14 Earnings Per Share

	Year ended 31st March 2009	Year ended 31st March 2008
Profit as per Profit & Loss Account (Rs lakhs)	703.18	600.94
No. of Shares used in computing earnings per share	171999229	171999229
Earnings per share - Basic and diluted (in Rupees)	0.41	0.35
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.

15 Deferred Taxation

The components of net Deferred Tax Liability are as follows:

Rs in lakhs

Nature- Asset / (Liability)	As at 31st March 2008	For the Year Rs in lakhs	As at 31st March 2009
Depreciation	(757.18)	(274.53)	(1031.71)
Deferred Revenue Expenses	(3.09)	3.09	-
Doubtful Debts / Advances	127.65	6.23	133.88
Total	(632.62)	(265.21)	(897.83)

16 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".

17 Other Liabilities include Rs. 87.10 lakhs (previous year Rs.192.97 lakhs) for estimated liability towards revision in salaries & wages for staff and officers for the period 2000-01 to 2008-09 .

(Rs in Lakhs)

Opening balance as on 1st April 2008	Paid during the year	Closing balance as on 31st Mar 2009
192.97	105.87	87.10

18 The Salaries, Wages and Bonus include Rs. 45.77 lakhs (Previous Year Rs. 46.34 lakhs) towards R&D expenses and Other expenses include Rs. 4.43 lakhs (Previous Year Rs. 3.70 lakhs) towards R&D expenses.

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 in Rs. Thousands)

Public Issue

Rights Issue

Bonus Issue

Private Placement

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. 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 in Rs. Thousands)

Turnover

Total Expenditure

Profit / Loss before Tax

Profit / Loss after Tax

Earnings per Share in Rs.

Dividend rate %

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

ASHWIN C MUTHIAH
Chairman

M. SIVAGNAM
Director

Ptcae: Chennai
Date: 6th May, 2009

G S LAKSHMI NARASIMHAN
Company Secretary

G RAMACHANDRAN
Managing Director

K K RAJAGOPALAN
Director (Finance)



MANALI PETROCHEMICAL LTD

Registered 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*	
Client ID*	

**Applicable to Investors holding shares in electronic form*

I hereby record my presence at the **TWENTY THIRD ANNUAL GENERAL MEETING**, held at **RAJAH ANNAMALAI MANDRAM, Esplanade, Chennai 600 108, on Thursday, the 17th September 2009 at 10.00 a.m. as Shareholder/Proxy***

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

**Strike whichever is not applicable*

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



MANALI PETROCHEMICAL LTD

Registered Office : "SPIC House". 88, Mount Road, Guindy, Chennai 600 032.

PROXY FORM

Folio No :	
DP. ID*	

No. of Shares held

I / Weof.....
in the district ofbeing a member / members of MANALI
PETROCHEMICAL LTD, hereby appointof.....
in the District ofor failing himof.....
in the District ofas my / our Proxy to vote for me / us on my / our
behalf, at the **TWENTY THIRD ANNUAL GENERAL MEETING** of the Company to be held on **Thursday, the 17th September 2009 at 10.00 a.m. and at any adjournment thereof.**

Signed this.....Day of2009

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.

BOOK POST

To :



If undeliverd, please return to :

Manali Petrochemical Ltd

*Ponneri High Road, Manali,
Chennai - 600 068.*

Phone : 25941025, 25941249, 25941253

Fax : 25941199

Email : it@manalipetro.com