

Galaxy Surfactants Ltd.  
21<sup>st</sup> Annual Report  
2006-2007

Preferred Partner to  
Global Companies



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**Board of Directors**

U. Shekhar  
*Chairman & Managing Director*  
G. Ramakrishnan  
S. D. Patil  
S. R. Shanbhag  
Uday K. Kamat  
Subodh S. Nadkarni  
Venkatesh Kasturirangan  
M. G. Parameswaran

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**Audit Committee**

Subodh S. Nadkarni  
*Chairman*  
M. G. Parameswaran  
G. Ramakrishnan  
Uday K. Kamat - (By Invitation)

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**Auditors**

S. V. Pinge & Co.  
Chartered Accountants, Mumbai.

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**Company Secretary**

Ganesh Kamath

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**Bankers**

Standard Chartered Bank  
The Saraswat Co-operative Bank Ltd.  
Union Bank of India

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**Registered & Corporate Office**

C-49/2, TTC Industrial Area,  
Pawne, Navi Mumbai - 400 701.  
Maharashtra, India

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**Plants**

Plot Nos. W-44 (C), N-46/1 & 2, W-67 (B), G-59, M-3,  
M.I.D.C. Tarapur, Post Boisar - 401 506.  
Plot No. V-23, M.I.D.C. Taloja, Panvel, Dist. Raigad, Pin - 410 208.  
Plot No. 1, Village Chal, CIDCO, Near M.I.D.C. Taloja,  
Panvel, Dist. Raigad, Pin - 410 208. (100% EOU).

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**Subsidiary**

Galaxy Chemicals Inc.  
The Walton Building,  
242, Old New Brunswick Road,  
Piscataway, NJ 08854.

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**Share Transfer Agent**

Intime Spectrum Registry Ltd.  
Building C-13, First Floor, Pannalal Silk Mill Compound,  
L. B. S. Road, Bhandup (West), Mumbai - 400 078.

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**Contact**

Visit Galaxy at [www.galaxysurfactants.com](http://www.galaxysurfactants.com)  
Send E-mail to [galaxy@galaxysurfactants.com](mailto:galaxy@galaxysurfactants.com)  
Call us at 91-22-2761 6666, 91-22-6513 4444

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**TWENTY FIRST ANNUAL GENERAL MEETING**

Day : Friday, the 29<sup>th</sup> June, 2007  
Time : 2.00 p.m.  
Place : At the Registered Office :  
C-49/2, TTC Industrial Area,  
Pawne, Navi Mumbai - 400 701,  
Maharashtra, India.

## NOTICE

Notice is hereby given that the Twenty First Annual General Meeting of Galaxy Surfactants Limited will be held on Friday, the 29<sup>th</sup> of June, 2007 at 2.00 p.m. at the Registered Office of the Company at C-49/2, TTC Industrial Area, Pawne, Navi Mumbai - 400701 to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31<sup>st</sup> March, 2007, the Balance Sheet as at that date and the Reports of the Directors and Auditors.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. M. G. Parameswaran who retires from office by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Subodh Nadkarni, who retires from office by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to authorise the Board of Directors of the Company to fix their remuneration. M/s S. V. Pinge & Co, Chartered Accountants, the retiring Auditors are eligible for re-appointment.

### SPECIAL BUSINESS

#### 6. Additional Director

To consider and, if thought fit, to pass, with or without modifications, the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT Mr. Sudhir D Patil, who was appointed by the Board of Directors at the Board Meeting held on the 30<sup>th</sup> September, 2006 as an Additional Director with effect from the 1<sup>st</sup> of October, 2006 pursuant to section 260 of the Companies Act, 1956, and Article 129 of the Articles of Association of the Company and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, in writing, from a member proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company subject to retirement by rotation under the Articles of Association of the Company”

#### 7. Appointment of Director

To consider and, if thought fit, to pass, with or without modifications, the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT Mr. S. Ravindranath in respect of whom the Company has received a notice under section 257 of the Companies Act, 1956, in writing, from a member proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company subject to retirement by rotation under the Articles of Association of the Company”

#### 8. Payment of Commission to Non Whole-time Directors

To consider and, if thought fit, to pass, with or without modifications, the following resolution as an **Ordinary Resolution**:

RESOLVED THAT subject to the provisions of the Sections 198, 309, and other applicable provisions of the Companies Act, 1956 read with Article 131 of the Articles of Association of the Company and also subject to such approvals as may be necessary, the approval of the shareholders is hereby accorded to the payment of commission to the Non Whole-time Directors of the Company amounting up to Rs.3,00,000/- per annum per Non Whole-time Director. PROVIDED HOWEVER that the aggregate commission payable to all the Non Whole-time Directors of the Company shall not exceed 1% of the net profits of the Company calculated in accordance with the provisions of Section 198, 309 and other applicable provisions of the Companies Act, 1956

RESOLVED FURTHER THAT the commission stated above shall be paid and distributed amongst the Non Whole-time Directors in equal proportion and/or in any other manner as the Board of Directors may decide.

RESOLVED FURTHER THAT the commission as stated above is payable in addition to the sitting fees payable to the Non Whole-time Directors for attending the meetings of the Board of Directors/its Committees and shall be payable for a period of three accounting years starting from the 1<sup>st</sup> of April, 2007 and ending with 31<sup>st</sup> March, 2010 and will cover new appointments in such capacity on the Board of the Company, during the said period.

RESOLVED FURTHER THAT the commission as stated above shall be payable only after the payment of commission to the Whole-time Directors of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company, or Committee of Directors thereof be and are hereby authorised to take all steps as may be necessary, proper or expedient to give effect to this resolution

**9. Alteration of Article 170 of Articles of Association**

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

RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Article 170 of the Articles of Association of the Company be altered by deleting the words "shall not, while he/they continue to hold office, be subject to retirement by rotation under Article 142, but he/they" appearing in Article 170.

Registered Office:  
C-49/2, TTC Industrial Area,  
Pawne, Navi Mumbai - 400 701

By order of the Board,  
**For Galaxy Surfactants Limited,**

**Ganesh Kamath**  
*Head- Resource Mobilisation & Utilisation Process &  
Company Secretary*

Date: May 30, 2007

**NOTES:**

1. A SHAREHOLDER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON POLL, TO VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A SHAREHOLDER OF THE COMPANY. THE PROXY FORM, IN ORDER TO BE EFFECTIVE, MUST BE LODGED WITH THE COMPANY AT ITS REGISTERED OFFICE NOT LATER THAN FORTY EIGHT HOURS BEFORE THE TIME OF COMMENCEMENT OF THE MEETING.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from **15<sup>th</sup> of June, 2007 to 29<sup>th</sup> of June, 2007**(both days inclusive) for the purpose of determining entitlement for the payment of dividend for the year ended 31<sup>st</sup> March, 2007, if declared by the Company.
3. The dividend for the year ended 31<sup>st</sup> March, 2007, if declared at the Annual General Meeting, will be payable, subject to the provisions of Section 206A and other applicable provisions of the Companies Act, 1956, to those Shareholders whose names appear on the Company's Register of Members as on the date of the Annual General Meeting.
4. Pursuant to the provisions of Section 205A (5) of the Companies Act, 1956, with effect from 1<sup>st</sup> April, 1994, dividend remaining unclaimed for a period of 7 years shall be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956. Shareholders are requested to note that no claims shall lie against the Company or the said Fund in respect of any amounts which were unclaimed and unpaid for a period of 7 years from the dates that they first become due for payment and no payment shall be made in respect of any such claims.
5. Members who have not yet encashed their dividend warrants, if any, for the year 1999-00, 2000-01, 2001-02, 2002-03, 2003-04, 2004-05, 2005-06 and 2006-07 may claim the unclaimed dividend directly from the Company.
6. Members are requested to forward all future correspondence relating to investor relations to Registrar and Share Transfer Agent viz., Intime Spectrum Registry Limited at the following address:  
**Intime Spectrum Registry Limited**  
**Unit : Galaxy Surfactants Limited,**  
Building C-13, First Floor, Pannalal Silk Mill Compound,  
L.B.S. Road, Bhandup – West, Mumbai - 400 078.  
Phone : 2596 3838, 25963857, Fax No. 2596 2691.  
Email: [isrl@vsnl.com](mailto:isrl@vsnl.com)
7. Members are requested to bring their copies of the Annual Report at the meeting.
8. The Articles of Association duly incorporating therein the proposed alteration is open for inspection at the Registered Office of the Company on all working days, except Saturdays and Sundays between 11.00 a.m. and 1.00 p.m. up to the date of the Annual General Meeting.

**Registered Office:**

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Pawne, Navi Mumbai - 400 701

By order of the Board  
**For Galaxy Surfactants Limited**

**Ganesh Kamath**  
*Head – Resource Mobilisation & Utilisation Process &*  
*Company Secretary*

Date: May 30, 2007

**EXPLANATORY STATEMENT AS REQUIRED BY SECTION 173(2) OF THE COMPANIES ACT, 1956.**

**Item No.6**

**Mr. Sudhir D. Patil** is one of the Promoter Directors of the Company. He has devoted his full time and energy, since inception, for the growth of the Company. He was serving as a Whole-time Director of the Company and his term of three years, was set to expire on the 31<sup>st</sup> day of October, 2006. The Board had in the 20<sup>th</sup> AGM notice recommended his reappointment as a Whole-time Director for a further period of three years commencing from 1<sup>st</sup> of November 2006. But, before the Annual General Body Meeting scheduled for the 16<sup>th</sup> of September, 2006, Mr. Sudhir D. Patil, on health grounds, opted not to continue as a Whole time Director and tendered his resignation letter.

The Chairman accordingly did not put the special business Item Number 8 to vote. Hence, Mr. Sudhir D. Patil was not reappointed as a Whole time Director at the 20<sup>th</sup> Annual General Meeting held on the 16<sup>th</sup> of September 2006.

However to enable the Company continue to get the benefit of his vast experience and association with the Company, the Board in its meeting held on 30<sup>th</sup> September 2006, appointed Mr. Sudhir D. Patil as a Non Whole-time Additional Director with effect from the 1<sup>st</sup> of October 2006.

As per section 260 of the Companies Act, 1956 and Article 129 of the Articles of Association of the Company, an Additional Director holds office up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member, along with the deposit of Rs.500/- proposing the candidature of Mr. Sudhir D Patil for the office of the Director of the Company under the provisions of Section 257 of the Companies Act, 1956, subject to retirement by rotation.

The Board of Directors considers that in view of the background and experience of Mr. Sudhir D. Patil, it would be in the interest of the Company to appoint him as a Director of the Company.

Your Directors, therefore recommend Resolution No.6 for your approval.

Except Mr. Sudhir D. Patil, none of the Directors are interested in the proposed resolution.

**Item No. 7**

**Mr. S. Ravindranath** is a B.Sc in maths and statistics followed by a Masters in Operations Research. He is a fellow member of the Institute of Cost and Works Accountants of India. He has served for more than three decades with Hindustan Lever Ltd in various capacities and superannuated as Managing Director of the Foods Division. He brings with him Board level experience in a large multinational company and also understanding of the markets in which your Company operates. His vast knowledge and experience will bring immense value to the Board and the Company.

The Company has received a notice in writing along with a deposit of Rs.500 from a member proposing the candidature of Mr. S. Ravindranath for the office of the Director of the Company under the provisions of Section 257 of the Companies Act, 1956, subject to retirement by rotation.

The Board of Directors considers that in view of the background and experience of Mr. S. Ravindranath, it would be in the interest of the Company to appoint him as a Non Whole-time Director of the Company.

Your Directors, therefore, recommend Resolution No. 7 for your approval.

None of the Directors are interested in the proposed resolution No.7.

**Item No. 8**

Presently, the Company pays remuneration by way of sitting fees to its Non Whole-time Directors namely Mr. V. Kasturirangan, Mr. Subodh Nadkarni, Mr. M. G. Parameswaran and Mr. Sudhir D. Patil, for each meeting of the Board of Directors or Committee of the Board of Directors, attended by them.

Your Board feels that Non Whole-time Directors need to be fairly remunerated for their contribution in the performance of the Company. Your Company benefits from their professional expertise as independent professionals/business executives and through their invaluable experience in corporate excellence.

Your Directors, therefore, recommend Resolution No.8 for your approval.

Except the Non Whole-time Directors on the Board viz., Mr. V. Kasturirangan, Mr. Subodh Nadkarni, Mr. M. G. Parameswaran and Mr. Sudhir D. Patil, no other Director is concerned or interested in the proposed resolution.

**Item No. 9**

The Company is a professionally managed company with nearly 50% of its directors, who are Whole-time Directors. Under the existing Article 170 of the Articles of Association, the Managing and/or Whole Time Directors shall not be liable to retire by rotation. In order to bring the provisions relating to retirement of Directors by rotation in line with the relevant provisions of the Companies Act, 1956, it is proposed to alter Article 170 as set out in the proposed resolution.

None of the Directors are interested in the proposed resolution No.9

Registered Office:  
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By order of the Board,  
**For Galaxy Surfactants Limited,**

**Ganesh Kamath**  
*Head Resource Mobilisation & Utilisation Process &  
Company Secretary*

May 30, 2007.

## DIRECTORS' REPORT

### TO THE SHAREHOLDERS

Your Directors have great pleasure in presenting the Twenty First Annual Report together with the Audited Statements of Accounts for the year ended March 31, 2007.

### FINANCIAL RESULTS

	Rupees in lakhs	
	2006-2007	2005-2006
<b>Particulars</b>		
<b>Net Sales :</b>		
Domestic	15060.53	14206.70
Exports	17210.37	12750.30
<b>Total Net Sales</b>	<b>32270.90</b>	<b>26957.00</b>
<b>Gross Profit before Interest &amp; Depreciation</b>	<b>5008.56</b>	<b>2863.68</b>
Less : Interest & Finance Charges	709.94	881.41
Less : Depreciation	1105.74	1082.08
<b>Profit for the year before Tax</b>	<b>3192.88</b>	<b>900.19</b>
Less : Provision for Taxation - Current	710.00	229.00
- Deferred	(54.22)	86.76
- Fringe Benefit Tax	13.00	18.00
<b>Net Profit after Tax</b>	<b>2524.10</b>	<b>566.43</b>
Add / (Less) : Prior Year Tax Adjustment(Credit)	51.61	-
Add : Opening Balance in Profit & Loss Account	2202.25	1783.47
<b>Amount available for appropriations</b>	<b>4777.96</b>	<b>2349.90</b>
<b>Appropriations</b>		
Transfer to General Reserve	253.00	50.00
Interim Dividend	128.45	-
Corporate Dividend Tax on Interim Dividend	18.01	-
Proposed Final Dividend	299.73	85.64
Provision for Dividend Distribution Tax on Final Dividend	50.94	12.01
<b>Surplus carried to Balance Sheet</b>	<b>4027.83</b>	<b>2202.25</b>

### DIVIDEND

Your Directors have recommended a final dividend of 35% i.e. Rs.3.50 per share (Exclusive of Corporate Dividend Tax) on the Equity Share Capital of Rs.856.37 Lakhs for the year ended March 31<sup>st</sup>, 2007, in addition to the interim dividend of 15% i.e. Rs.1.50 per share (Exclusive of Corporate Dividend Tax) declared on September 16<sup>th</sup>, 2006. Hence the total dividend paid/ proposed to be paid works out to 50% i.e. Rs.5 per share on every Equity Share of Rs.10 each.

**FINANCIAL & OPERATIONAL PERFORMANCE :**

The performance of your Company for the year is reflected by the following ratios:

<b>Particulars :</b>	<b>2006-07</b>	<b>2005-06</b>
Sales Growth (%)	19.71	30.37
PBDIT (% to Sales)	15.52	10.62
PBIT (% to Sales)	12.09	6.61
PAT (% to Sales )	7.82	2.10
ROCE (%)	21.98	10.21
Return on Net Worth (%)	41.74	11.87
Debt : Equity Ratio	0.92	1.37
Net Working Capital (% to Sales)	21.20	22.96
Earning Per Share (Rs.)	29.47	6.61
Cash Earning Per Share (Rs.)	41.75	20.26
Book Value Per Share (Rs.)	82.74	58.47

**Financial Performance:**

The all round improvement in the financial performance during the year under review has been possible due to the following reasons:

- Acquisition of strategic customers and ramping up of sales with improved margins
- Better capacity utilization
- Softening of prices in respect of major feed stocks
- Efficient management of working capital /cash flows and interest rates resulting in lower interest and finance charges

**Sales Growth:**

	<b>2006-07</b>	<b>2005-06</b>	
	<b>Rs. lakhs</b>	<b>Rs. lakhs</b>	<b>% Growth</b>
<b>Domestic Sales</b>	<b>15060.53</b>	14206.70	6.01
<b>Export Sales</b>	<b>17210.37</b>	12750.30	34.98
<b>Total Net Sales</b>	<b>32270.90</b>	26957.00	19.71

**Domestic Sales:**

The growth has been commensurate with the market, in our range of surfactants and specialty chemical products applications in the Home & Personal Care segment. This segment is expected to sustain its current growth momentum in 2007-08. The evolving new trade structure viz. retail chain stores offers opportunities for growth of the market and increased volumes for our range of surfactants and specialty chemicals.

**Export Sales:**

Your Company achieved a robust growth of 34.98% in export sales mainly by increasing penetration of existing markets as well as adding new markets for the entire range of products. Your Company exports to 80 countries world-wide and has created a niche and brand of Galaxy which commands respect in the industry. During the year, your Company has been able to consolidate its position both in the advanced markets of North America and Europe as well as developing markets of South America, Middle East, Africa and Asia.

The major challenges perceived during the current year are the increasing volatility as well as availability of feedstock and their prices. To add to this is the on going appreciation of Indian Rupee making a dent in export profitability on one hand and also making imports cheaper on the other. Your Company has initiated various steps to counter these threats to a large extent.

### **Investments & Funding:**

The highlights during the year are as under:

- Repayment of substantial debt availed for setting up of the EOU. As against the EOU Project Cost of Rs.6500 Lakhs, the debt outstanding as on March 31, 2007 is Rs.1242 Lakhs.
- Refurbishment of the drying plant at Tarapur to cater to our global customers need.
- Enhancement of the sunscreen capacity at Tarapur Plant.
- Fresh investment of Rs.2000 Lakhs in sulphonation & ethoxylation de-bottlenecking, will enhance our capacity to meet the growing needs of our key customers.

### **BUSINESS STRATEGY & OUTLOOK :**

With the Indian economy growing over 8%, rising consumer class and incomes coupled with our strong relationships with large multinational FMCG Companies in the Home & Personal Care Industry, there exists exciting growth opportunities for your Company.

In order to exploit these opportunities, your Company has decided to focus its efforts on the following:

- Exploit its core competencies in organic chemistry for the Home & Personal Care Industry
- Leverage the existing customer relationships for opportunities they hold, for supply of new specialty products developed by your Company
- Greater participation in the value chain by structured business arrangements with suppliers and customers
- Scaling up capacities to meet the regional growth needs and enhance global reach

The appreciating rupee, high logistics costs involved in operating from India on the one hand and the strong relationships with multinational companies with multiple manufacturing geographies and scaling of their strategic procurement needs from your Company on the other hand, calls for well considered investments. The de-bottlenecking effort underway is at best a temporary reprieve to cater to the demand growth from existing customers. To move into the large cap league and accomplish the business objectives, your Company is contemplating investment initiatives which can entail substantial capital expenditure outlay over the next three years. To fund such capital expenditure, the Company may have to consider funds mobilization options including broad basing the equity of the Company.

Your Company is consistently making efforts to broaden the business horizon, geographical reach, leverage customer relations and de-risk the business for consistent financial performance. All future investments will be driven to accomplish these business objectives.

### **HUMAN RESOURCES :**

Your Company has consistently known that the passion and commitment exhibited by the people of Galaxy has produced the profits. **People Energy Process (PEP)**, as HR is called in Galaxy, has the mandate for continuously energizing the people of Galaxy, who are sources of energy.

**PEP** is aligned with the overall Business Strategy of expanding geographies and newer products by increasing the emphasis on competencies, improved performance management systems, more objective selection processes and a renewed thrust in embracing the process culture, with customer as the focal point.

To maintain the global competitiveness and world-class quality not just in technology and products, but more importantly in people, the importance of emerging leaders for tomorrow is fully recognized while sponsoring executives for Management and Leadership development programs in renowned institutes of management education.

Galaxy's people, as ever, are looking forward to creating an exciting future.

### **ENTERPRISE RESOURCE PLANNING**

The new SAP – ERP system which went live on April 1, 2006 has been smoothly assimilated into the organizational working. We have operationalized six modules covering Sales & Distribution, Materials Management, Financial

Accounting & Controlling, Production Planning, Quality Assurance and Plant Maintenance. We have been able to successfully close the accounting year under the new system without glitches reflecting the degree of comfort the organizational team has developed in the use of the system.

We are now moving into the next level of implementation viz. Business Warehouse Intelligence Solution of SAP to enable business and financial planning, online information, performance monitoring and business control.

#### **FIXED DEPOSITS**

Your Company's fixed deposits stood at Rs 747.85 Lakhs with 583 fixed deposit holders at the end of the year under review as against Rs 792.24 Lakhs last year. There are no overdue deposits as at 31<sup>st</sup> March, 2007.

#### **SUBSIDIARY COMPANY**

The audited Statement of Accounts of Galaxy Chemicals Inc., USA, the Company's wholly owned subsidiary together with the reports of the Directors and Auditors for the year ended 31<sup>st</sup> March, 2007 and a statement of the Company's interest in the subsidiary as required under Section 212 of the Companies Act, 1956 are attached.

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

As required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the particulars relating to "Conservation of Energy, Technology Absorption and Foreign Exchange earnings and outgo" are given as "Annexure - A" and forms part of this report.

#### **PARTICULARS OF EMPLOYEES**

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is given in "Annexure - B" and forms integral part of this report..

#### **DIRECTORS**

During the year under review

- Mr. Sudhir D. Patil, one of the Promoter Directors, resigned from the executive position due to health reasons and was appointed by the Board of Directors in its meeting held on 30<sup>th</sup> September, 2006 as Additional Non Whole-time Director with effect from 1<sup>st</sup> October, 2006. The re-appointment of Mr. Sudhir D. Patil as director of the Company is being proposed in the ensuing Annual General Meeting to be held on 29<sup>th</sup> June, 2007.
- Mr. S. Ravindranath is recommended to be inducted as a new member of the Board, liable to retire by rotation.
- Mr. M. G. Parameswaran & Mr. Subodh Nadkarni retire by rotation and being eligible, offer themselves for reappointment.

#### **AUDITORS**

M/s. S. V. Pinge & Co., Chartered Accountants, the Statutory Auditors of your Company hold office until the conclusion of ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a letter from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1-B), of the Companies Act, 1956. Your Directors recommend their re-appointment.

#### **DIRECTORS RESPONSIBILITY STATEMENT**

Pursuant to requirements of Section 217 (2AA) of the Companies Act, 1956, your Directors confirm: -

1. that in the preparation of the Annual Accounts, the applicable accounting standards have been followed;
2. that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year ended 31<sup>st</sup> March, 2007 and of the profit of your Company for that period;

3. that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities; and
4. that they have prepared the Annual Accounts on a going concern basis.

#### **ACKNOWLEDGEMENT**

Your Directors wish to place on record their appreciation for the wholehearted and sincere co-operation the Company has received from its Employees, Shareholders, Customers, Suppliers, Bankers, Financial Institutions and various departments of the central and state government.

For and on behalf of the Board

Navi Mumbai  
May 30, 2007.

**U. Shekhar**  
*Chairman & Managing Director*

## ANNEXURE TO THE DIRECTORS' REPORT

### ANNEXURE - A

#### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO AND PARTICULARS UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956.

##### A. CONSERVATION OF ENERGY:

Your Company continues to give high priority to conservation of energy on an ongoing basis and has taken measures to improve operating parameters vis-à-vis energy conservation possibilities in the year under review by initiating the following steps:

- Innovated new processes wherein the thermal energy requirement is brought down substantially by utilizing the heat of exotherm of reaction itself.

##### Disclosures of particulars with respect to conservation of energy

##### Power and Fuel Consumption

	2006-2007	2005-2006
<b>(I) ELECTRICITY</b>		
a) Purchased:		
Unit in KWH	2644	4175
Total amount (Rs. in Lakhs)	151.53	172.55
Rate/Unit (Rs.)	5.69	4.13
b) Own Generation :		
through Diesel Generator :		
Unit in KWH	12946	10718
Total amount (Rs. in Lakhs)	533.00	404.23
Rate/Unit (Rs.)	4.12	3.77
<b>(II) FUEL</b>		
a) Light Diesel Oil		
Quantity in KL	736	701
Total Cost (Rs. in Lakhs)	205.35	178.04
Rate/Unit Rs./KL	27907	25386
b) High Speed Diesel		
Quantity in KL	20	-
Total Cost (Rs. in Lakhs)	7.21	-
Rate/Unit Rs./KL	36400	-
c) Furnace Oil		
Quantity in KL	510	748
Total Cost (Rs. in Lakhs)	95.27	113.24
Rate/Unit Rs./KL	18696	15130
d) Coal		
Quantity in MT	3269	2372
Total Cost (Rs. in Lakhs)	119.75	85.87
Rate/Unit Rs./MT	3663	3620

##### (III) CONSUMPTION PER UNIT OF PRODUCTS

As there are no separate meters for different products, the product-wise consumption of power is not available.

## B. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

### Primary focus:

- \* Development of new applications for our existing products.
- \* Development of novel, very effective sunscreen chemicals for hair care and skin care.
- \* Better process control by advanced analytical instrumentation.
- \* Development of multifunctional molecules mainly for cosmetic industry.
- \* Scale up of laboratory developed processes to commercial scale.

### Direction of efforts:

- \* Development of new and improved products for cosmetics and body care industry.
- \* Development of biodegradable surfactants for detergent industry.
- \* Development of new & better hair conditioners and mild surfactants.
- \* Development and standardization of new testing procedures for measurement of quality parameters.
- \* Development of new process for existing products for improvement in the quality and yield.

### Progress during the year:

- \* Customized substantive sunscreen molecules have been developed for a few selected cosmetic giants.

Particulars	(Rs. in Lakhs)	
	<u>2006-2007</u>	<u>2005-2006</u>
Expenditure on R & D	118.35	85.00

## C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Total Foreign Exchange used and earned:

a) Expenditure incurred in Foreign Currency :		
Raw Material & Packing Material (C.I.F. Value)	5124.40	3138.01
Capital Goods	101.34	26.99
Spares & others	12.39	4.95
Foreign Travel	57.37	24.06
Exports Commission	167.20	132.03
Professional Fees	24.64	31.43
Book, Periodicals, Exhibitions, Subscription & Membership, Commission, Training and Seminar	33.63	19.11
Interest & Processing Charges on Borrowings	69.93	63.47
Others	105.49	100.48
b) Earnings in Foreign Currency:		
F.O.B. Value of Exports (This does not include exports to Nepal, deemed exports)	16483.20	11431.38

For and on behalf of the Board

Navi Mumbai  
May 30, 2007

**U. Shekhar**  
Chairman & Managing Director

**“Annexure - B”**

**Particulars of Employees under Section 217 (2A) of the Companies Act, 1956 and forming part of the Report of the Directors  
A. Persons employed through out the year and were in receipt of remuneration in aggregate of not less than Rs. 200,000/- P.M.**

**Information as per Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 forming part of the Directors' Report for the year ended 31<sup>st</sup> March, 2007.**

Name	Age	Designation	Gross Remuneration Rs.	Qualification	Experience	Date of Commencement of Employment	Previous Employment/ Position Held
1 Mr. G. Ramakrishnan	51	Director – Home & Personal Care (Global)	5154547	M.Com., F.C.A., F.C.W.A. ACS	31	May 20, 1986	Colgate Palmolive (I) Ltd. - Accountant
2 Mr. S. R. Shanbhag	52	Whole-time Director	5159179	B.Com., A.C.A., Grad. C.W.A.	31	May 20, 1986	Colgate Palmolive (I) Ltd.- Accountant
3 Mr. U. Shekhar	52	Chairman & Managing Director	5215691	B.Chem. Engg. (UDCT), PGDBM (IIM Cal)	31	May 20, 1986	Lupin Laboratories Ltd. - Management Trainee
4 Mr. U. K. Kamat	52	Executive Director – Finance	5156565	B.Com., A.C.A., Grad. C.W.A.	31	April 1, 2003	Practising Chartered Accountant

**B. Persons employed for part of the year and were in receipt of remuneration at a rate of not less than Rs. 200,000/- P.M.**

1 Mr. S. D. Patil	52	Director -Technical	3006244	B.Chem. Engg. (UDCT)	31	May 20, 1986	Hico Products Ltd. - Production Supervisor
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**Notes:**

- The nature of employment in all cases is contractual and is subject to the rules and regulations of the Company in force from time to time.
- Remuneration as shown above includes Salary, Commission, Bonus, HRA, Employee Provident Fund and perquisites/benefits like LTA, Medical etc., valued as per the Income Tax Act, 1961.
- None of these employees is related to any Directors of the Company.

**For and on behalf of the Board**

Navi Mumbai  
May 30, 2007

**U. Shekhar**  
Chairman & Managing Director

## AUDITORS' REPORT

To the members of  
**GALAXY SURFACTANTS LIMITED**

We have audited the attached Balance Sheet of **GALAXY SURFACTANTS LIMITED** as at 31<sup>st</sup> March, 2007, the Profit and Loss Account and also the Cash Flow Statement of the Company 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.

We conducted our audit in accordance with the 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 and report that:

1. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government 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.
2. Further to our comments in the Annexure referred to in paragraph 1 above :
  - a) 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;
  - b) 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 the books;
  - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - d) 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;
  - e) 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 31<sup>st</sup> March, 2007, from being appointed as a Director in terms of Section 274(1)(g) of the Companies Act, 1956;
3. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the other notes appearing thereon, 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 31<sup>st</sup> March, 2007;
  - 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 the Cash Flow Statement, of the cash flows for the year ended on that date.

**For S. V. PINGE & CO.**  
*Chartered Accountants,*

**S. V. PINGE**  
*Proprietor*  
*Membership No. 44276*

Navi Mumbai  
May 30, 2007

## ANNEXURE TO THE AUDITORS' REPORT

**OF EVEN DATE ON THE ACCOUNTS OF GALAXY SURFACTANTS LIMITED FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2007.**

**[Referred to in paragraph 1 of the above Report]**

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) In our opinion, the fixed assets have been physically verified by the management at reasonable intervals, having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us no material discrepancies were noticed on such verification.
  - c) In our opinion, the fixed assets disposed off during the year are not substantial and hence it has not affected the going concern assumption.
2. In respect of inventories:
  - a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
  - 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 are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - c) On the basis of our examination of records of inventory, in our opinion, the Company has maintained proper records of inventory and discrepancies noticed on physical verification between the physical stocks and book records were not material in relation to the operations of the Company.
3. In respect of loans taken or granted:
  - a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Act. Accordingly sub-clause (b), (c) and (d) of clause (iii) paragraph 4 of the said Order are not applicable.
  - b) The Company had taken loans from four parties covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.124.54 lakhs and the year end balance of the loans taken from such parties was Rs. 82.22 lakhs.
  - c) In our opinion, the rate of interest and other terms and conditions on which the loans have been taken from the parties listed in the register under Section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.
  - d) The Company is regular in repaying the principal amounts as stipulated and has been regular in the payment of interest.
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 the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. Further, on the basis of our examinations and according to the information and explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control procedures.
5. In respect of register u/s. 301:
  - a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
  - b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 as applicable, with regard to the deposits accepted from the public. According to the information and explanations given to us, in this regard, no Order under the aforesaid sections has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company.

7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. To the best of our knowledge, the Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, for any of the products of the Company.
9. In respect of statutory dues:
  - a) According to the information and explanations given to us and according to the books and records as produced and examined by us, in our opinion, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it.
  - b) As at 31<sup>st</sup> March, 2007 according to the records of the Company and the information and explanations given to us, the following are the particulars of disputed dues on account of Excise Duty that has not been deposited:

Name of the Statute	Nature of dues	Amount of demand Rs.	Period to which the demand relates	Forum where dispute is pending
Central Excise Laws	Excise Duty	1,17,516	1990-1991	Superintendent of Central Excise on remand by Customs, Excise & Service Tax Appellate Tribunal

10. The Company does not have accumulated losses as at 31<sup>st</sup> March, 2007 and has not incurred cash losses in the financial year ended on that date and in the immediately preceding financial year.
11. According to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank. No debentures have been issued by the Company.
12. According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
13. In our opinion, the provisions of any special statute as specified under Clause (xiii) of paragraph 4 of the Order are not applicable to the Company.
14. In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause (xiv) of paragraph 4 of the Order are not applicable to the Company.
15. According to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions.
16. According to the information and explanations given to us, the term loans have been applied for the purpose for which they were obtained.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, in our opinion, no funds raised on a short-term basis have been used for long term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
19. The Company has not issued any debentures and hence the provisions of Clause (xix) of paragraph 4 of the Order are not applicable to the Company.
20. During the year covered by our audit, the Company has not raised any money by public issues.
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

**For S. V. PINGE & CO.**  
Chartered Accountants,

**S. V. PINGE**  
Proprietor

Membership No. 44276

Navi Mumbai  
May 30, 2007

**BALANCE SHEET AS AT 31ST MARCH, 2007**

	<u>SCHEDULE</u>	<u>31st March, 2007 Rupees</u>	<u>31st March, 2006 Rupees</u>
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Capital	<b>A</b>	<b>8,56,36,880</b>	8,56,36,880
Reserves & Surplus	<b>B</b>	<b>62,29,49,046</b>	41,50,91,531
<b>Loan Funds</b>			
Secured Loans	<b>C</b>	<b>56,30,57,835</b>	71,79,47,104
Unsecured Loans	<b>D</b>	<b>38,50,23,081</b>	37,11,49,966
Deferred Tax Liability (Net)	<b>E</b>	<b>15,00,42,337</b>	15,54,64,425
<b>Total</b>		<b><u>180,67,09,179</u></b>	<b><u>174,52,89,906</u></b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	<b>F</b>	<b>170,45,95,971</b>	167,89,82,238
Less: Depreciation		<b>66,37,63,149</b>	56,05,44,396
Net Block		<b>104,08,32,822</b>	111,84,37,842
Capital Work-in-Progress at cost, including advances		<b>7,67,02,597</b>	30,88,319
		<b><u>111,75,35,419</u></b>	<b><u>112,15,26,161</u></b>
<b>Investments</b>	<b>G</b>	<b>49,10,214</b>	49,10,214
<b>Current Assets, Loans &amp; Advances</b>			
Inventories	<b>H</b>	<b>53,61,83,526</b>	50,29,37,780
Sundry Debtors	<b>I</b>	<b>50,91,06,313</b>	38,11,70,476
Cash & Bank Balances	<b>J</b>	<b>1,09,02,167</b>	1,43,94,740
Other Current Assets	<b>K</b>	<b>62,374</b>	4,67,139
Loans & Advances	<b>L</b>	<b>13,55,65,656</b>	6,58,11,827
		<b>119,18,20,036</b>	96,47,81,962
<b>Less: Current Liabilities and Provisions</b>			
Current Liabilities	<b>M</b>	<b>46,03,70,647</b>	32,26,86,902
Provisions	<b>N</b>	<b>4,71,85,843</b>	2,32,41,529
<b>Net Current Assets</b>		<b><u>68,42,63,546</u></b>	<b><u>61,88,53,531</u></b>
<b>Total</b>		<b><u>180,67,09,179</u></b>	<b><u>174,52,89,906</u></b>
Notes to the Accounts	<b>T</b>		

Schedules "A" to "T" annexed hereto form part of these accounts

As per our Report attached.

**For S. V. PINGE & CO.**  
Chartered Accountants

For and on behalf of the Board

**S. V. PINGE**  
Proprietor

**U. SHEKHAR**  
Chairman &  
Managing Director

**S. D. PATIL**  
Director

**S. R. SHANBHAG**  
Director

Navi Mumbai  
Date : May 30, 2007

**U. K. KAMAT**  
Executive Director - Finance

**G. KAMATH**  
Head - Resource Mobilisation & Utilisation Process  
& Company Secretary

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	<u>SCHEDULE</u>	<u>31st March, 2007 Rupees</u>	<u>31st March, 2006 Rupees</u>
<b>INCOME</b>			
Sales		322,70,90,080	269,57,01,597
Miscellaneous Income	O	103,60,246	68,99,660
<b>Total</b>		<b>323,74,50,326</b>	<b>270,26,01,257</b>
<b>EXPENDITURE</b>			
Material Cost & Inventory Adjustments	P	220,84,10,565	197,99,21,946
Personnel Costs	Q	14,82,26,063	12,05,73,819
Other Manufacturing, Selling and Administrative Expenses	R	37,99,57,160	31,57,37,580
<b>Total</b>		<b>273,65,93,788</b>	<b>241,62,33,345</b>
Profit Before Interest & Depreciation		50,08,56,538	28,63,67,912
Interest & Finance Charges	S	7,09,93,896	8,81,41,070
Profit Before Depreciation		42,98,62,642	19,82,26,842
Depreciation	F	11,05,74,008	10,82,08,018
Profit Before Tax		31,92,88,634	9,00,18,824
Provision for Taxation			
- Current Tax		7,10,00,000	2,29,00,000
- Deferred Tax		(54,22,088)	86,75,938
- Fringe Benefit Tax		13,00,000	18,00,000
Net Profit for the year		25,24,10,722	5,66,42,886
Add/( Less) : Prior Year Tax Adjustments		51,60,716	-
Add : Profit brought forward from last year		22,02,25,420	17,83,47,279
Less : Transferred to General Reserve		2,53,00,000	50,00,000
Interim Dividend		1,28,45,532	-
Proposed Dividend		2,99,72,908	85,63,688
Dividend Distribution Tax		68,95,483	12,01,057
Balance carried to Balance Sheet		<b>40,27,82,935</b>	<b>22,02,25,420</b>
Earning per share - Basic & Diluted (Face Value of Rs. 10 each ) (Refer Note No. 12 of Schedule "T")		29.47	6.61

Notes to the Accounts T

Schedules "A" to "T" annexed hereto form part of these accounts

As per our Report attached.

**For S. V. PINGE & CO.**

*Chartered Accountants*

**S. V. PINGE**

*Proprietor*

**U. SHEKHAR**

*Chairman &  
Managing Director*

**S. D. PATIL**

*Director*

**S. R. SHANBHAG**

*Director*

**U. K. KAMAT**

*Executive Director - Finance*

**G. KAMATH**

*Head - Resource Mobilisation & Utilisation Process  
& Company Secretary*

Navi Mumbai

Date : May 30, 2007

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS**

	<b>31st March, 2007 Rupees</b>	<b>31st March, 2006 Rupees</b>
<b>A. CAPITAL :</b>		
<b>Authorised :</b>		
1,50,00,000 Equity Shares of Rs.10/- each (Previous Year: 1,50,00,000 Equity Shares of Rs.10/- each )	<b>15,00,00,000</b>	15,00,00,000
1,00,00,000 Preference Shares of Rs.10/- each (Previous Year:1,00,00,000 Preference Shares of Rs.10/- each )	<b>10,00,00,000</b>	10,00,00,000
<b>Total</b>	<b>25,00,00,000</b>	<b>25,00,00,000</b>
<b>Issued, Subscribed &amp; Paid-up :</b>		
85,63,688 Equity Shares of Rs.10/- each, fully paid-up. (Previous Year : 85,63,688 Equity Shares of Rs.10/- each, fully paid up)	<b>8,56,36,880</b>	8,56,36,880
Includes, 33,69,125 Equity Shares of Rs.10/- each, issued as fully paid-up Bonus Shares by capitalisation of Securities Premium, Reserves and balance in Profit & Loss Account. (Previous Year : 33,69,125 Equity Shares of Rs.10/- each.)		
<b>Total</b>	<b>8,56,36,880</b>	<b>8,56,36,880</b>
<b>B. RESERVES &amp; SURPLUS :</b>		
<b>Capital Reserve :</b>		
Capital Subsidy received from the Government of Maharashtra under the Package Scheme of Incentives, balance as per last year	<b>2,11,20,721</b>	2,11,20,721
	<b>2,11,20,721</b>	2,11,20,721
<b>Capital Redemption Reserve :</b>		
Balance as per last year	<b>8,04,43,000</b>	8,04,43,000
	<b>8,04,43,000</b>	8,04,43,000
<b>Securities Premium :</b>		
Balance as per last year	<b>3,13,52,390</b>	3,13,52,390
	<b>3,13,52,390</b>	3,13,52,390
<b>General Reserve :</b>		
Balance as per last year	<b>6,19,50,000</b>	5,69,50,000
Add : Transfer during the year from Profit & Loss Account	<b>2,53,00,000</b>	50,00,000
	<b>8,72,50,000</b>	6,19,50,000
<b>Profit &amp; Loss Account :</b>		
Balance of Profit as per Profit & Loss Account	<b>40,27,82,935</b>	22,02,25,420
<b>Total</b>	<b>62,29,49,046</b>	<b>41,50,91,531</b>

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS ( Contd..)**

	<b>31st March, 2007 Rupees</b>	<b>31st March, 2006 Rupees</b>
<b>C. SECURED LOANS :</b>		
Term Loans from		
Financial Institutions & Banks	<b>12,71,24,718</b>	12,11,14,137
Others	-	20,64,39,405
Cash Credit and Working Capital Demand Loan from Banks	<b>43,59,33,117</b>	39,03,93,562
<b>Total</b>	<b>56,30,57,835</b>	<b>71,79,47,104</b>
<b>D. UNSECURED LOANS :</b>		
Loan from Financial Institution	<b>20,00,00,000</b>	20,00,00,000
Working Capital Demand Loan from a Bank	<b>2,00,46,599</b>	-
Fixed Deposits	<b>7,47,85,000</b>	7,92,24,000
Interest-free loan by way of Deferral of Sales-Tax from the Government of Maharashtra under the Package Schemes of Incentives.	<b>8,19,69,885</b>	7,94,71,472
Loan from Directors	<b>82,21,597</b>	1,24,54,494
<b>Total</b>	<b>38,50,23,081</b>	<b>37,11,49,966</b>
<b>E. DEFERRED TAX LIABILITY (NET) :</b>		
<b>Deferred Tax Liabilities :</b>		
Fixed Assets & Depreciation	<b>15,41,21,607</b>	15,99,31,124
<b>Deferred Tax Assets :</b>		
Retirement Benefits	<b>(40,79,270)</b>	(44,66,699)
<b>Total</b>	<b>15,00,42,337</b>	<b>15,54,64,425</b>

**F. FIXED ASSETS :**

Particulars	Gross Block				Depreciation / Amortisation				Net Block	
	As at 31-03-06 Rupees	Additions During the year Rupees	Deletions During the year Rupees	As at 31-03-07 Rupees	As at 31-03-06 Rupees	Additions During the year Rupees	Deletions During the year Rupees	As at 31-03-07 Rupees	As at 31-03-06 Rupees	As at 31-03-06 Rupees
1. Leasehold Land	8,58,95,026			8,58,95,026	87,09,304	9,01,725		96,11,029	7,62,83,997	7,71,85,722
2. Factory Building	32,83,14,214	40,03,161		33,23,17,375	6,20,23,084	1,10,98,149		7,31,21,233	25,91,96,142	26,62,91,130
3. Building - Others	4,27,11,653			4,27,11,653	77,51,678	6,96,200		84,47,878	3,42,63,775	3,49,59,975
4. Plant & Machinery	111,68,54,456	2,51,32,044	60,48,124	113,59,38,376	44,43,30,436	8,71,87,181	52,79,530	52,62,38,087	60,97,00,289	67,25,24,020
5. Furniture & Fixtures	2,07,17,870	39,039		2,07,56,909	57,98,111	12,84,534		70,82,645	1,36,74,264	1,49,19,759
6. Vehicles	1,87,46,630	28,31,318	28,31,027	1,87,46,921	91,38,623	18,19,541	20,75,725	88,82,439	98,64,482	96,08,007
7. Office Equipments	6,57,42,389	24,87,322		6,82,29,711	227,93,160	75,86,678		3,03,79,838	3,78,49,873	4,29,49,229
<b>TOTAL</b>	<b>167,89,82,238</b>	<b>3,44,92,884</b>	<b>88,79,151</b>	<b>170,45,95,971</b>	<b>56,05,44,396</b>	<b>11,05,74,008</b>	<b>73,55,255</b>	<b>66,37,63,149</b>	<b>104,08,32,822</b>	<b>111,84,37,842</b>
Previous Year	147,80,09,689	20,92,64,736	82,92,187	167,89,82,238	45,97,79,760	10,82,08,018	74,43,382	56,05,44,396	111,84,37,842	

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS (Contd..)**

	<b>31st March, 2007 Rupees</b>	<b>31st March, 2006 Rupees</b>
<b>G. INVESTMENTS :</b>		
(Non-trade, long term, valued at cost)		
<b>Unquoted</b>		
2,020 Equity Shares of Rs. 10/- each fully paid-up of The Saraswat Co-op. Bank Ltd. (Previous Year : 2,020 Equity Shares)	<b>20,200</b>	20,200
15,000 Equity Shares of Rs.10/- each fully paid-up of The North Kanara G.S.B. Co-op. Bank Ltd. (Previous Year : 15,000 Equity Shares)	<b>1,50,000</b>	1,50,000
National Savings Certificates	<b>2,000</b>	2,000
Kisan Vikas Patra	<b>5,000</b>	5,000
12,000 Shares of face value US \$ 0.01 each fully paid up of Galaxy Chemicals Inc. (Subsidiary) (Previous Year :12,000 shares)	<b>46,17,814</b>	46,17,814
<b>Quoted</b>		
7,200 Equity Shares of Rs 10/- each fully paid up of Union Bank of India (Previous Year : 7,200 Equity Shares) (Market Value : Rs.7,48,080/- , Previous Year : Rs 8,77,320/-)	<b>1,15,200</b>	1,15,200
<b>Total</b>	<b>49,10,214</b>	49,10,214
<b>H. INVENTORIES :</b>		
(Taken, valued and certified by a Director, including lying with third parties)		
Raw Materials	<b>12,41,49,962</b>	13,58,98,049
Packing Materials	<b>3,16,14,666</b>	4,78,30,978
Finished Goods	<b>17,23,71,759</b>	9,16,06,235
Work-in-Process	<b>15,50,62,677</b>	17,12,11,302
Consumables, Stores & Others	<b>5,29,84,462</b>	5,63,91,216
<b>Total</b>	<b>53,61,83,526</b>	50,29,37,780
<b>I. SUNDRY DEBTORS :</b>		
(Unsecured, considered good)		
Debts outstanding over six months	<b>52,37,830</b>	15,24,088
Other Debts	<b>50,38,68,483</b>	37,96,46,388
<b>Total</b>	<b>50,91,06,313</b>	38,11,70,476
<b>J. CASH AND BANK BALANCES :</b>		
Cash on hand	<b>22,00,763</b>	25,12,123
With Scheduled Banks :		
- In Current Account	<b>50,84,925</b>	67,22,128
- In Fixed Deposit Account	<b>30,45,001</b>	44,23,501
With Non-Scheduled Banks :		
- In Current Account with Krungthai Bank, Bangkok (Maximum amount outstanding at anytime during the year Rs. 7,98,872 /-, Previous Year Rs.11,77,981/-)	<b>5,71,478</b>	7,36,988
<b>Total</b>	<b>1,09,02,167</b>	1,43,94,740

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS (Contd..)**

	31st March, 2007 Rupees	31st March, 2006 Rupees
<b>K. OTHER CURRENT ASSETS :</b>		
Interest accrued on Bank Deposits	62,374	4,67,139
<b>Total</b>	<b>62,374</b>	<b>4,67,139</b>
<b>L. LOANS AND ADVANCES :</b>		
(Unsecured, considered good)		
Advances recoverable in cash or kind for value to be received	7,76,08,234	4,88,78,438
Tender, Security & Other Deposits	72,45,899	74,39,689
Balance with Excise Dept. in Current Account	3,07,26,540	94,93,700
Income Tax Paid (Net of Provisions)	1,99,84,983	-
<b>Total</b>	<b>13,55,65,656</b>	<b>6,58,11,827</b>
<b>M. CURRENT LIABILITIES :</b>		
Sundry Creditors and Expenses Payable *	43,54,48,717	29,99,91,753
Creditors for Capital Expenditure	27,18,069	52,00,492
Unclaimed Dividend **	8,42,622	7,09,478
Security & Other Deposits	4,04,534	3,29,534
Other Liabilities	1,83,09,655	1,19,91,850
Interest accrued but not due	26,47,050	44,63,795
<b>Total</b>	<b>46,03,70,647</b>	<b>32,26,86,902</b>
* Includes Rs. 9,37,357/- due to small scale undertakings to the extent such parties have been identified from available information. (Previous Year Rs. 23,21,555/-)		
** Refer Note No. 11 of Schedule "T"		
<b>N. PROVISIONS :</b>		
Provision for Taxation (Net of Payments)	-	206,737
Proposed Dividend	2,99,72,908	85,63,688
Provision for Dividend Distribution Tax	50,93,896	12,01,057
Provision for Retirement Benefits	121,19,039	1,32,70,047
<b>Total</b>	<b>4,71,85,843</b>	<b>2,32,41,529</b>
<b>O. MISCELLANEOUS INCOME :</b>		
Interest on Investments	-	4,154
Dividend Income	60,600	35,750
Interest on Bank Deposits	2,88,847	4,38,697
Sale of Packing Material, etc.	85,90,494	55,46,693
Interest - Others	1,64,464	88,865
Other Income	12,55,841	7,85,501
<b>Total</b>	<b>1,03,60,246</b>	<b>68,99,660</b>

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS ( Contd..)**

	<b>31st March, 2007 Rupees</b>	<b>31st March, 2006 Rupees</b>
<b>P. MATERIAL COST &amp; INVENTORY ADJUSTMENTS :</b>		
Raw Materials Consumed	<b>205,20,73,796</b>	186,34,82,824
Packing Materials Consumed	<b>20,66,09,903</b>	14,01,06,595
Processing Charges	<b>1,43,43,765</b>	8,20,174
	<b><u>227,30,27,464</u></b>	<u>200,44,09,593</u>
<b>(Increase)/Decrease in Stock of Finished Goods &amp; Work-in-process :</b>		
<b>Add: Opening Stock</b>		
Finished Goods	<b>9,16,06,235</b>	9,81,77,203
Work-in-Process	<b>17,12,11,302</b>	14,01,52,687
<b>Less: Closing Stock</b>		
Finished Goods	<b>17,23,71,759</b>	9,16,06,235
Work-in-Process	<b>15,50,62,677</b>	17,12,11,302
<b>Net (Increase)/Decrease</b>	<b><u>(6,46,16,899)</u></b>	<u>(2,44,87,647)</u>
<b>Total</b>	<b><u>220,84,10,565</u></b>	<u>197,99,21,946</u>
<b>Q. PERSONNEL COSTS :</b>		
Salaries, Wages & Allowances	<b>12,07,77,813</b>	9,26,39,596
Contribution to Provident Fund and Other Funds	<b>1,04,57,026</b>	1,03,54,468
Workmen & Staff Welfare Expenses	<b>1,69,91,224</b>	1,75,79,755
<b>Total</b>	<b><u>14,82,26,063</u></b>	<u>12,05,73,819</u>

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS (Contd..)**

	<b>31st March, 2007 Rupees</b>	<b>31st March, 2006 Rupees</b>
<b>R. OTHER MANUFACTURING, SELLING AND ADMINISTRATIVE EXPENSES :</b>		
Process Chemicals Consumed	38,79,249	40,92,438
Power & Fuel	11,55,67,841	9,85,61,658
Repairs & Maintenance:		
- Plant & Machinery	3,57,99,792	3,28,02,190
- Building	26,91,728	21,88,487
- Others	101,72,085	45,06,990
Rent	17,82,763	20,37,246
Insurance	83,65,672	77,43,315
Rates & Taxes :		
- Excise Duty	20,03,711	7,71,456
- Others	55,51,261	46,07,820
Travelling & Conveyance	2,71,53,721	2,37,01,733
Printing & Stationery	41,18,287	45,66,244
Freight & Forwarding	3,59,35,711	1,97,18,651
Subscription, Books & Periodicals	23,07,823	14,99,430
Postage & Telephones	80,86,845	68,72,775
Legal & Professional Fees	1,82,45,299	1,47,63,168
Advertising Expenses	1,08,174	1,09,641
Exhibitions & Seminar Expenses	46,40,480	19,93,882
Discount & Commission	1,91,12,517	1,87,88,891
Donations	4,00,000	4,26,000
Directors Sitting Fees	65,000	55,000
Bank Charges	1,38,96,428	68,16,732
Security Charges	64,02,676	58,02,518
Water Charges	66,03,515	58,69,836
Royalty	2,37,38,176	2,69,57,016
Loss on Sale/Discard of assets	99,968	6,93,804
Miscellaneous Expenses	2,32,28,438	1,97,90,659
<b>Total</b>	<b>37,99,57,160</b>	<b>31,57,37,580</b>
<b>S. INTEREST &amp; FINANCE CHARGES :</b>		
Interest on Term Loan	3,34,82,151	3,61,03,900
Interest on Working Capital	2,74,28,133	3,39,23,124
Interest - Others	95,73,284	89,46,097
Other Financial Charges, etc.	6,02,568	58,35,520
Net Foreign Exchange Fluctuation (Gain)/Loss	(92,240)	33,32,429
<b>Total</b>	<b>7,09,93,896</b>	<b>8,81,41,070</b>

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS (Contd..)**

**T. NOTES TO THE ACCOUNTS**

**1) Accounting policies adopted in preparation of financial statements:**

**(a) Basis for preparation of accounts :**

The accounts have been prepared to comply in all material aspects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

**(b) Revenue Recognition :**

Revenue/Income and Cost/Expenditure are generally accounted on accrual basis as they are earned or incurred, except in case of significant uncertainties.

Sales are recognised when goods are supplied and are recorded net of excise duty, sales tax, sales returns and trade discounts.

Interest income is booked on a time proportion basis taking into account the amounts invested and the rate of interest.

Dividend incomes on investments are accounted for as and when the right to receive the payment is established.

**(c) Fixed Assets :**

Fixed assets are stated at cost less depreciation. The cost of fixed assets includes all costs incidental to acquisition, including taxes, duties (net of CENVAT and set-off), cost of installation and commissioning, interest on specific borrowings obtained for the purposes of acquiring the fixed assets and other indirect expenses, incurred upto trial run.

**(d) Depreciation on Fixed Assets :**

Depreciation is provided on straight line basis at the rates specified in Schedule XIV of the Companies Act, 1956. Depreciation on addition/deletion, as the case may be, to the fixed assets made during the year is provided on pro-rata basis from/upto the date of such addition/deletion.

Leasehold Land is amortised over the period of lease.

**(e) Valuation of Inventories :**

Inventories are valued at the lower of cost or net realisable value. Cost of inventories is ascertained on the weighted average basis and includes, in the case of finished goods and work-in-process, production overheads at pre-determined rates and excise duty, where applicable.

**(f) Investments :**

Investments being long term are stated at cost.

**(g) Foreign Currency Translations :**

Foreign currency transactions are recorded at the rate of exchange prevailing on the date of the respective transactions.

Foreign currency assets and liabilities are converted at contracted/year end rates as applicable.

Exchange differences on settlement/conversion are adjusted to :

- i. Cost of fixed assets, if the foreign currency liability relates to fixed assets.
- ii. Profit and Loss Account in other cases. Wherever forward contracts are entered into, the exchange difference is dealt with in the Profit and Loss Account over the period of the contracts.

**(h) Research & Development :**

Revenue expenditure on Research and Development is charged to the Profit & Loss Account of the year in which it is incurred. Capital expenditure on Research and Development is shown as an addition to Fixed Assets.

**(i) Retirement Benefits :**

The Company's contribution to provident fund is accounted on accrual basis and is charged to the Profit & Loss Account.

The gratuity is provided on actuarial valuation basis. In respect of employees covered under the Group Gratuity Policy with LIC of India, the same is funded by the Company during the year.

Liability for leave encashment is provided for on the basis of actuarial valuation.

**(j) Borrowing Costs :**

Borrowing Costs that are attributable to the acquisition, construction of qualifying assets are capitalised as part of cost of such assets upto the date the assets are ready for intended use. All other borrowing costs are recognised as an expense in the year in which they are incurred.

**(k) Taxes on Income :**

Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

**(l) Segment Reporting :**

The Company has considered business segment as the primary segment. The Company is engaged in the manufacture of specialty chemicals which in the context of Accounting Standard 17 issued by the Institute of Chartered Accountants of India is considered as the only business segment.

**(m) Earning Per Share :**

Basic earning per share is calculated by dividing the net profit for the year attributable to the equity shareholders by the weighted average of the number of equity shares outstanding during the year. The basic and diluted earnings per share are same for the year.

**(n) Prior Period Items :**

All identifiable items of Income and Expenditure pertaining to prior period are accounted through "Prior Period Adjustment Account".

**(o) Government Grants :**

Grants received for capital expenditure incurred are included in Capital Reserves.

**(p) Impairment of Assets:**

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Profit and Loss Account. If at the Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

**(q) Provision and Contingent Liabilities:**

Provisions are recognised when the Company has a legal and constructive obligation as a result of a past event, for which it is probable that a cash outflow will be required and a reliable estimate can be made of the amount of the obligation.

Contingent Liabilities are disclosed when the Company has a possible obligation and it is probable that a cash outflow will not be required to settle the obligation.

**2. Secured Loans:**

- a) The terms loans amounting to **Rs.12,71,24,718** /- are secured by a first pari passu charge on specified assets and a second pari passu charge on inventories and book debts of the Company.
- b) The cash credit and working capital demand loans from banks amounting to **Rs.43,59,33,117**/- are secured by a first pari passu charge on inventories and book debts and a second charge on the specified assets of the Company.
- c) Loans amounting to **Rs.34,00,58,421**/- are further secured by personal guarantees of four directors of the Company.

**3. Contingent Liabilities & Claims not provided for :**

	<b>2006-2007</b>	2005-2006
	<b>Rupees</b>	Rupees
(a) Counter Guarantees given to Banks	<b>1,81,78,750</b>	3,20,38,250
(b) Claims for Custom & Excise Duty not acknowledged by the Company and disputed in Appeals.	<b>1,17,516</b>	4,41,87,162

**4. Estimated amount of contracts remaining to be executed on Capital Account :**

(Net of Advances)	<b>5,29,03,332</b>	17,42,900
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**5. Research & Development :**

<b>Expenses</b>	<b>2006-2007</b>	2005-2006
	<b>Rupees</b>	Rupees
a) Salaries & Allowances	<b>44,43,064</b>	41,22,261
b) R&D Materials & Other Expenses	<b>70,05,221</b>	42,06,555
c) Capital Expenditure	<b>3,86,800</b>	1,71,196
<b>TOTAL</b>	<b>1,18,35,085</b>	85,00,012

**6. Auditor's Remuneration:**

<b>Expenses</b>	<b>2006-2007</b>	2005-2006
	<b>Rupees</b>	Rupees
a) Audit Fees	<b>6,00,000</b>	4,00,000
b) Tax Audit / VAT Audit fees	<b>2,50,000</b>	1,00,000
c) Other Services	<b>3,54,943</b>	3,27,500
d) Out of Pocket Expenses	<b>1,07,366</b>	98,916
<b>TOTAL</b>	<b>13,12,309</b>	9,26,416

**7. Managerial Remuneration :**

a) Remuneration paid to the Wholetime Directors :

<b>Expenses</b>	<b>2006-2007 Rupees</b>	<b>2005-2006 Rupees</b>
a) Salary & Allowances	<b>86,52,600</b>	85,80,000
b) Commission	<b>1,35,00,000</b>	-
c) Perquisites	<b>8,50,586</b>	5,37,087
d) Contribution to Provident Fund & Other Funds	<b>6,89,040</b>	7,92,000
<b>TOTAL</b>	<b>2,36,92,226</b>	99,09,087

b) Computation of Net Profit under Section 198 of the Companies Act, 1956.

<b>Particulars</b>	<b>2006-2007</b>		<b>2005-2006</b>	
	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>
Profit before Taxation as per Profit & Loss Account		<b>31,92,88,634</b>		9,00,18,824
Add : Depreciation as per accounts	<b>11,05,74,008</b>		10,82,08,018	
Managerial Remuneration	<b>2,36,92,226</b>		99,09,087	
Loss on Sale of Assets as per accounts	<b>99,968</b>	<b>13,43,66,202</b>	6,93,804	11,88,10,909
<b>Total</b>		<b>45,36,54,836</b>		20,88,29,733
Less : Depreciation calculated under Section 350 of the Companies Act, 1956	<b>11,05,74,008</b>		10,82,08,018	
Loss on Sale of Assets as per Section 349 of Companies Act, 1956.	<b>99,968</b>	<b>11,06,73,976</b>	6,93,804	10,89,01,822
Net Profit in terms of Section 198 of Companies Act, 1956.		<b>34,29,80,860</b>		9,99,27,911
Maximum Remuneration payable to wholetime directors – 10% of Net Profit as computed above as per Companies Act, 1956.		<b>3,42,98,086</b>		99,92,791
Managerial Remuneration paid to wholetime directors.		<b>2,36,92,226</b>		99,09,087

**8. A. Capacity & Production :**

Particulars	Unit	2006-2007		2005-2006	
		Installed Capacity per annum	Actual Production	Installed Capacity per annum	Actual Production
1. Organic Surface Active Agents / Preparations.	MT	62,700	#51,907	62,700	#34,885
2. Fatty Alkanolamides / Fatty Acid Esters.	MT	6,600	##3,360	8,250	##2,350
3. Specialty Chemicals.	MT	5,500	3,061	4,500	1,617

Notes : The installed capacities are based on existing product-mix and are as per the certificate given by a Director on which the Auditors have relied, being a technical matter.

# Includes (i) 2553 MT (Previous year 1861 MT) used for captive consumption  
(ii) 692 MT (Previous year 128 MT) processed from third parties.

## Includes 288 MT used for captive consumption. (Previous Year: 175 MT)

**B. Sales Turnover :**

Particulars	2006-2007		2005-2006	
	Qty. M.T.	Rupees	Qty. M.T.	Rupees
1. Organic Surface Active Agents / Preparations.	48,123	273,40,13,939	32,904	234,95,12,874
2. Fatty Alkanolamides / Fatty Acid Esters.	2,855	19,95,85,159	2,142	15,45,93,252
3. Specialty Chemicals.	2,900	29,34,90,982	1,637	19,15,95,471
<b>TOTAL</b>		<b>322,70,90,080</b>		<b>269,57,01,597</b>

**C. Finished Goods :**

Particulars	2006-2007				2005-2006			
	Opening Stock		Closing Stock		Opening Stock		Closing Stock	
	Qty. M.T.	Rupees	Qty. M.T.	Rupees	Qty. M.T.	Rupees	Qty. M.T.	Rupees
1. Organic Surface Active Agents / Preparations.	1565	8,32,88,001	2796	13,77,16,553	1445	8,61,30,436	1565	8,32,88,001
2. Fatty Alkanolamides/ Fatty Acid Esters.	65	37,27,153	282	1,51,46,803	32	18,90,294	65	37,27,153
3. Specialty Chemicals.	49	45,91,081	210	1,95,08,403	69	1,01,56,473	49	45,91,081
<b>TOTAL</b>		<b>9,16,06,235</b>		<b>17,23,71,759</b>		<b>9,81,77,203</b>		<b>9,16,06,235</b>

**D. Raw Materials Consumed :**

Particulars	2006-2007		2005-2006	
	Qty. M.T.	Rupees	Qty. M.T.	Rupees
1. Fatty Alcohols, Fatty Acids, Oils & Ethylene Oxide	41,645	155,95,06,966	25,112	146,81,62,479
2. Acids, Alkalies & Amines	15,588	29,74,83,386	8,870	22,98,68,909
3. Others		19,50,83,444		16,54,51,436
<b>TOTAL</b>		<b>205,20,73,796</b>		<b>186,34,82,824</b>

**E. Value of Raw Materials, Stores & Spares Consumed :**

(i) Value of Raw Materials Consumed:

Particulars	2006-2007		2005-2006	
	Rupees	% of Total Consumption	Rupees	% of Total Consumption
Imported	54,11,39,877	26.37	59,09,26,501	31.71
Indigenous	151,09,33,919	73.63	127,25,56,323	68.29
<b>TOTAL</b>	<b>205,20,73,796</b>	<b>100.00</b>	<b>186,34,82,824</b>	<b>100.00</b>

(ii) Value of Stores &amp; Spares Consumed:

Particulars	2006-2007		2005-2006	
	Rupees	% of Total Consumption	Rupees	% of Total Consumption
Imported	10,45,127	4.18	5,68,668	2.23
Indigenous	2,39,75,151	95.82	2,49,29,886	97.77
<b>Total</b>	<b>2,50,20,278</b>	<b>100.00</b>	<b>2,54,98,554</b>	<b>100.00</b>

**F. Value of Imports calculated on C.I.F. basis in respect of :**

Particulars	2006-2007 Rupees	2005-2006 Rupees
1. Raw Materials & Packing Materials	51,24,40,477	31,38,01,121
2. Capital Goods	1,01,34,320	26,99,093
3. Spares & Others	12,39,028	4,95,611

**G. Expenditure in Foreign Currencies :**

Particulars	2006-2007 Rupees	2005-2006 Rupees
Foreign Travel	57,37,445	24,06,268
Commission Exports	1,67,19,871	1,32,03,385
Professional Fees	24,64,139	31,42,835
Books, Periodicals, Exhibition, Subscription & Membership, Training, Seminar.	33,62,622	19,11,114
Interest & Processing Charges on Borrowings	69,93,444	63,46,902
Others	1,05,49,287	1,00,48,013

**H. Earnings in Foreign Currencies :**

Particulars	2006-2007 Rupees	2005-2006 Rupees
Export of goods on F.O.B. basis	164,83,19,895	114,31,37,648

**9. Customs & Excise Duty :**

The Company has made provision for custom duty **Rs. 4,38,716/-** (Previous Year Rs Nil) and excise duty **Rs.1,28,60,025/-** (Previous Year Rs. 43,38,892/-) on stocks lying in bond at the year end and the same is also included in the valuation of inventories. This method of accounting has no effect on the profit for the year.

10. There are no small scale undertakings (to the extent such parties have been identified from available information) to whom an amount of Rs. 1 Lac or more was payable and outstanding for more than 30 days.

11. There are no amounts due and outstanding in respect of unpaid dividend, unpaid matured deposits & interest accrued thereon to be credited to Investors Education & Protection Fund.

**12. Earning Per Share :**

Particulars	31 <sup>st</sup> March 2007 Rupees	31 <sup>st</sup> March 2006 Rupees
A. Profit after tax as per Profit & Loss Account	25,24,10,722	5,66,42,886
B. Weighted average number of equity shares of Rs. 10/- each outstanding during the year	85,63,688	85,63,688
C. Earning Per Share - Basic and Diluted	29.47	6.61

**13. Related Party Disclosures:**

Related party disclosures as required under AS-18 issued by the Institute of Chartered Accountants of India are given below :

**a) Names of the Related Parties and nature of relationship:**

**Subsidiary :**

Galaxy Chemicals Inc.

**Key management personnel [Whole-time Directors] and relatives of the key management personnel with whom the Company had transactions:**

<b>Key Management Personnel [Whole-time Directors]</b>	<b>Relative of Key Management Personnel with whom Company had transactions</b>
Mr. U. Shekhar	Mr. V. Unnathan, Father Mr. Karthik Shekhar, Son Ms. Nandini Shekhar, Daughter Mrs. Shanthi Lakshminarsimhan, Sister Mr. U. Sridhar, Brother
Mr. S. R. Shanbhag	Mrs. Laxmibai Shanbhag, Mother Mrs. Vandana Shanbhag, Wife Mrs. Anuradha Prabhu, Sister
Mr. G. Ramakrishnan	Mrs. Jayashree Ramakrishnan, Wife
Mr. S. D. Patil	Mrs. Sandhya Patil, Wife Mr. Siddharth Patil, Son Mr. Yash Patil, Son Mr. Pradeep Patil, Brother

**Entities over which key management personnel [whole-time directors] are able to exercise significant influence :**

- Galaxy Emulsifiers Private Limited
- Galaxy Finsec Private Limited
- Galaxy Chemicals [Partnership Firm]
- Galaxy Estates & Holdings [Partnership Firm]
- Galaxy Investments [Partnership Firm]
- Shubh Estates & Properties [Partnership Firm]

b] The following transactions were carried out with related parties in the ordinary course of business

Transaction Details	2006-2007 Rupees	2005-2006 Rupees
Royalty Paid	2,37,38,176	2,69,57,016
Commission	1,22,40,731	1,19,12,625
Interest Paid on Loans/Fixed Deposits	16,05,620	18,91,711
Rent Received	9,000	9,000

Note: Details of remuneration to whole-time directors are given in Note No. 7

14. Previous year's figures are regrouped and rearranged wherever necessary, to conform to this year's classification.

**15. Additional information pursuant to Part IV of Schedule VI to the Companies Act, 1956.**
**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**
**I. Registration details**

Registration No.

3	9	8	7	7
---	---	---	---	---

 State Code 

1	1
---	---

Balance Sheet

3	1
---	---

0	3
---	---

0	7
---	---

Date      Month      Year

**II. Capital raised during the Year (Amount in Rupees)**

Public Issue

N	I	L
---	---	---

Equity Issue

N	I	L
---	---	---

Bonus Issue

N	I	L
---	---	---

Private Placement

N	I	L
---	---	---

**III. Position of mobilisation and deployment of funds (Amount in Rupees)**

Total Liabilities

1	8	0	6	7	0	9	1	7	9
---	---	---	---	---	---	---	---	---	---

Total Assets

1	8	0	6	7	0	9	1	7	9
---	---	---	---	---	---	---	---	---	---

**Sources of Funds**

Paid-up Capital

	8	5	6	3	6	8	8	0
--	---	---	---	---	---	---	---	---

Secured Loans

5	6	3	0	5	7	8	3	5
---	---	---	---	---	---	---	---	---

Deferred Tax Liabilities (Net)

1	5	0	0	4	2	3	3	7
---	---	---	---	---	---	---	---	---

**Application of Funds**

Net Fixed Assets

1	1	1	7	5	3	5	4	1	9
---	---	---	---	---	---	---	---	---	---

Net Current Assets

6	8	4	2	6	3	5	4	6
---	---	---	---	---	---	---	---	---

Accumulated Losses

N	I	L
---	---	---

Reserves &amp; Surplus

6	2	2	9	4	9	0	4	6
---	---	---	---	---	---	---	---	---

Unsecured Loans

3	8	5	0	2	3	0	8	1
---	---	---	---	---	---	---	---	---

Investments

		4	9	1	0	2	1	4
--	--	---	---	---	---	---	---	---

Misc. Expenditure

			N	I	L			
--	--	--	---	---	---	--	--	--

**IV. Performance of Company (Amount in Rupees)**

Turnover

3	2	2	7	0	9	0	0	8	0
---	---	---	---	---	---	---	---	---	---

(+) Profit / (-) Loss Before Tax

+	3	1	9	2	8	8	6	3	4
---	---	---	---	---	---	---	---	---	---

Earning per share in Rupees

2	9	.	4	7
---	---	---	---	---

Total Expenditure

2	9	0	7	8	0	1	4	4	6
---	---	---	---	---	---	---	---	---	---

(+) Profit / (-) Loss After Tax

+	2	5	2	4	1	0	7	2	2
---	---	---	---	---	---	---	---	---	---

Dividend Rate %

5	0	%
---	---	---



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

Particulars	2006-07		2005-06	
	Amount Rupees	Amount Rupees	Amount Rupees	Amount Rupees
<b>A. Cash Flow from Operating Activities</b>				
Profit before Tax, Extraordinary items		31,92,88,634		9,00,18,824
<b>Adjustments for :</b>				
<b>Add :</b>				
Depreciation	11,05,74,008		10,82,08,018	
Interest paid	7,09,93,896		8,81,41,070	
Loss on Sale of Assets	99,968	18,16,67,872	6,93,804	19,70,42,892
<b>Less :</b>				
Interest on Investments			(4,154)	
Dividend Income	(60,600)		(35,750)	
Interest on Bank Deposits	(2,88,847)		(4,38,697)	
Interest Others	(1,64,464)	(5,13,911)	(88,865)	(5,67,466)
<b>Operating Profit before Working Capital Changes</b>		<b>50,04,42,595</b>		<b>28,64,94,250</b>
<b>Working Capital Changes</b>				
Inventories	(3,32,45,746)		2,44,15,269	
Trade & Other Receivables	(12,79,35,837)		(1,65,37,420)	
Other Advances	(4,97,68,846)		(26,39,292)	
Increase/(Decrease) in Current Liabilities	13,76,83,745		(1,77,01,926)	
Other Liabilities	(11,51,008)	(7,44,17,692)	25,73,828	(98,89,541)
<b>Cash generated from Operations</b>		<b>42,60,24,903</b>		<b>27,66,04,709</b>
Income Taxes Paid		(8,73,31,004)		(2,88,05,673)
<b>Net Cash Flow from Operating Activities (a)</b>		<b>33,86,93,899</b>		<b>24,77,99,036</b>
<b>B. Cash Flow from Investing Activities</b>				
Capital Expenditure		(10,81,07,162)		(8,03,98,816)
Sale of Fixed Assets		14,23,928		1,55,001
Redemption of IDBI bonds		-		1,00,000
Interest on Investments		-		4,154
Dividend Income		60,600		35,750
Interest on Bank Deposits		2,88,847		4,38,697
Interest Others		164,464		88,865
<b>Net Cash used in Investing Activities (b)</b>		<b>(10,61,69,323)</b>		<b>(7,95,76,349)</b>
<b>C. Cash Flow from Financing Activities</b>				
Net Secured Borrowings		(15,48,89,269)		(21,92,28,456)
Sales Tax Deferrals / MIDC Incentives		24,98,413		45,88,858
Fixed Deposits		(44,39,000)		(6,22,000)
Receipt/(Repayment) of Loans from Directors		(42,32,897)		90,30,983
Loan from Others		2,00,46,599		15,00,00,000
Interest & Finance Charges		(7,09,93,896)		(8,81,41,070)
Equity Dividend & Dividend Tax thereof		(2,44,11,864)		(2,44,11,863)
<b>Net Cash used in Financing Activities (c)</b>		<b>(23,64,21,914)</b>		<b>(16,87,83,548)</b>
Net Increase/(Decrease) in Cash and Cash Equivalents (a) + (b) + (c)		<b>(38,97,338)</b>		<b>(5,60,861)</b>
Cash and Cash Equivalents - Opening Balance		1,48,61,879		1,54,22,740
Cash and Cash Equivalents - Closing Balance		1,09,64,541		1,48,61,879
Net Increase/(Decrease) in Cash and Cash Equivalents		<b>(38,97,338)</b>		<b>(5,60,861)</b>

As per our Report attached.

**For S. V. PINGE & CO.**

*Chartered Accountants*

For and on behalf of the Board

**S. V. PINGE**

*Proprietor*

**U. SHEKHAR**

*Chairman &  
Managing Director*

**S. D. PATIL**

*Director*

**S. R. SHANBHAG**

*Director*

**U. K. KAMAT**

*Executive Director - Finance*

**G. KAMATH**

*Head - Resource Mobilisation & Utilisation Process  
& Company Secretary*

Navi Mumbai

Date : May 30, 2007

**Statement pursuant to Section 212 of the Companies Act, 1956**

Name of the Subsidiary Company	Financial Year Ending of the Subsidiary	Number of Shares held	Extent of holding	For Financial Year of the Subsidiary		For the previous Financial Years since it became a Subsidiary	
				Profits/(Losses) so far it concerns the members of the Holding Company and not dealt within the books of Account of the Holding Company (Except to the extent dealt within Col.6)	Profits/(Losses) so far it concerns the members of the Holding Company and dealt within the books of Account of the Holding Company	Profits/(Losses) so far it concerns the members of the Holding Company and not dealt within the books of Account of the Holding Company (Except to the extent dealt within Col.8)	Profits(Losses) so far it concerns the members of the Holding Company and dealt within the books of Account of the Holding Company
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Galaxy Chemicals Inc.	31/03/2007	12,000 shares of one cent per share i.e. US \$ 120	100.00 %	(US \$ 13,043)	Nil	US \$ 11,650	Nil

For and on behalf of the Board

**U. SHEKHAR**  
*Chairman & Managing Director*

**S. D. PATIL**  
*Director*

**S. R. SHANBHAG**  
*Director*

**U. K. KAMAT**  
*Executive Director - Finance*

**G. KAMATH**  
*Head - Resource Mobilisation & Utilisation Process  
& Company Secretary*

Navi Mumbai  
Date : May 30, 2007



## **GALAXY CHEMICALS INC., USA DIRECTORS' REPORT**

**TO THE MEMBERS OF  
GALAXY CHEMICALS INC.**

Your Directors have pleasure in presenting to you the Third Annual Report of your Company together with the Audited Statement of Accounts for the financial year ended 31<sup>st</sup> March, 2007.

### **REVIEW OF OPERATIONS**

Your Company plays a pivotal role being based in New Jersey for the parent company viz. Galaxy Surfactants Limited (GSL). Your Company's close presence to the headquarters of key Global Customers and Global Technology Centers has enabled it to participate in their global projects. Thus, your Company acts as a catalyst to growth and investment plans of GSL.

Your Company is creating the Brand Galaxy in North America. During the year under review new customers were enrolled and the business with existing customers was consolidated. Your Company has also made deep penetration in South America viz. Argentina, Brazil, Chile, Columbia, Peru and Venezuela and is gaining strength in these markets.

Your Company is focusing on promoting Specialty Chemicals in the matured markets of USA & Europe. To accomplish this, GSL has initiated relocation of its Principal Scientist to your Company in USA to lend greater efficacy to the sales / market development pitch with on-site technical support to the Commercial / Business Creation team.

Your Company is also assisting GSL in exploiting opportunities for contract manufacture of premium soaps for consumer companies located in the America and Europe. This business can grow substantially in the short run and can contribute significantly to the bottom line.

### **AUDITORS**

As per the laws of United States of America, the Company is not required to get its accounts audited. Since your Company is a Subsidiary Company of Galaxy Surfactants Limited and keeping in mind the provisions of Section 212 of the Companies Act, 1956 (Indian Companies Act), the Statement of Accounts has been audited by M/s. S.V. Pinge & Co, Chartered Accountants, Mumbai, who are also the Statutory Auditors of Galaxy Surfactants Limited, which is the holding company. To meet the US regulatory compliance needs your Company has availed need based advisory services of a US CPA firm.

**For and on behalf of the Board  
Galaxy Chemicals Inc.,**

New Jersey  
May 16<sup>th</sup> 2007.

**U. Shekhar**  
*Chairman*

**GALAXY CHEMICALS INC., USA**  
**AUDITORS' REPORT**

To the members of  
**GALAXY CHEMICALS INC.**

We have audited the attached Balance Sheet of **GALAXY CHEMICALS INC.** as at 31<sup>st</sup> March, 2007 and also the Profit and Loss Account of the Company 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.

The Company has been incorporated on April 24<sup>th</sup>, 2003 in the State of New Jersey, United States of America and is a wholly owned subsidiary of Galaxy Surfactants Limited, Navi Mumbai, India. We are informed that as per the laws of United States of America, the Company is not required to get its accounts audited. However, in order to comply with the provisions of Section 212 of the Companies Act, 1956, we have audited the Company's Accounts for the aforesaid accounting year ended 31<sup>st</sup> March, 2007.

We conducted our audit in accordance with the 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 and report that:

1. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government 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.
2. Further to our comments in the Annexure referred to in paragraph 1 above :
  - a) 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;
  - b) 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 the books;
  - c) The Balance Sheet and Profit and Loss Account dealt with by this Report are in agreement with the books of account;
  - d) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this Report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
3. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the other notes appearing thereon, 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 31<sup>st</sup> March, 2007; and
  - b) in the case of the Profit and Loss Account, of the loss for the year ended on that date.

**For S. V. PINGE & CO.**  
*Chartered Accountants,*

**S. V. PINGE**  
*Proprietor*  
*Membership No. 44276*

Navi Mumbai  
May 16, 2007

**GALAXY CHEMICALS INC., USA**  
**ANNEXURE TO THE AUDITORS' REPORT**



**OF EVEN DATE ON THE ACCOUNTS OF GALAXY CHEMICALS INC. FOR THE YEAR ENDED  
31<sup>ST</sup> MARCH, 2007.**

**[Referred to in paragraph 1 of the above Report]**

1. The nature of business / activities of the Company during the year is such that clauses (ii) and (v) to (xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company for the year under review.
2. In respect of fixed assets:
  - a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - b) As explained to us, the management has physically verified the fixed assets during the year. In our opinion, the frequency of physical verification of fixed assets is reasonable having regard to the size of the Company and the nature of its business.
  - c) The Company has not disposed off any of the fixed assets during the year.
3. The Company has neither granted nor taken any loans, secured or unsecured, to and from companies, firms or other parties listed in the register maintained under Section 301 of the Act. Accordingly clauses (b), (c), (d), (f) and (g) of Para 4(iii) of the aforesaid Order are not applicable.
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 the nature of its business with regard to purchases of fixed assets etc and with regard to the sale of services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
5. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

**For S. V. PINGE & CO.**  
*Chartered Accountants,*

**S. V. PINGE**  
*Proprietor*  
*Membership No. 44276*

Navi Mumbai  
May 16, 2007

**GALAXY CHEMICALS INC., USA**  
**BALANCE SHEET AS AT 31ST MARCH, 2007**

	<u>SCHEDULE</u>	<u>31ST MARCH, 2007 US \$</u>	<u>31ST MARCH, 2006 US \$</u>
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	<b>A</b>	120	120
Reserves & Surplus	<b>B</b>	99,900	1,11,550
<b>Total</b>		<u>1,00,020</u>	<u>1,11,670</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	<b>C</b>	21,839	21,839
Less: Depreciation		10,925	6,557
Net Block		<u>10,914</u>	<u>15,282</u>
<b>Current Assets, Loans &amp; Advances</b>			
Sundry Debtors		61,187	34,252
Cash & Bank Balances	<b>D</b>	18,527	59,598
Loans & Advances	<b>E</b>	8,079	4,621
		<u>87,793</u>	<u>98,471</u>
<b>Less : Current Liabilities &amp; Provisions</b>			
Current Liabilities	<b>F</b>	80	2,083
<b>Net Current Assets</b>		<u>87,713</u>	<u>96,388</u>
Balance of Loss as per Profit & Loss Account		1,393	0
<b>Total</b>		<u>1,00,020</u>	<u>1,11,670</u>

Notes to the Accounts **H**

Schedules 'A' to 'H' annexed hereto form part of these Accounts

As per our Report attached

**For S. V. PINGE & CO.**  
*Chartered Accountants*

For and on behalf of the board

**S. V. Pinge**  
*Proprietor*

**U. SHEKHAR**  
*Chairman*

**G. RAMAKRISHNAN**  
*Director*

Navi Mumbai  
 Date : May 16, 2007

New Jersey, USA  
 Date : May 15, 2007



**GALAXY CHEMICALS INC., USA**  
**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007**

<u>SCHEDULE</u>	<u>31ST MARCH, 2007 US \$</u>	<u>31ST MARCH, 2006 US \$</u>
<b>INCOME</b>		
Commission Received	2,70,000	2,70,000
Miscellaneous Income	0	29
<b>Total</b>	<b><u>2,70,000</u></b>	<b><u>2,70,029</u></b>
<b>EXPENDITURE</b>		
Personnel Cost	1,65,539	1,57,471
Administrative & Selling Expenses	G 1,11,291	1,02,445
<b>Total</b>	<b><u>2,76,830</u></b>	<b><u>2,59,916</u></b>
Profit/(Loss) Before Depreciation	(6,830)	10,113
Depreciation	C 4,368	4,315
Profit/(Loss) Before Tax	(11,198)	5,798
Income Tax	1,845	2,811
Net Profit/(Loss) for the year	(13,043)	2,987
Add : Profit brought forward from last year	11,650	8,663
Balance carried to Balance Sheet	<b><u>(1,393)</u></b>	<b><u>11,650</u></b>

Notes to the Accounts

H

Schedules 'A' to 'H' annexed hereto form part of these Accounts

As per our Report attached

**For S. V. PINGE & CO.**  
*Chartered Accountants*

For and on behalf of the board

**S. V. Pinge**  
*Proprietor*

**U. SHEKHAR**  
*Chairman*

**G. RAMAKRISHNAN**  
*Director*

Navi Mumbai  
Date : May 16, 2007

New Jersey, USA  
Date : May 15, 2007

**GALAXY CHEMICALS INC., USA**  
**SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS**

	31ST MARCH, 2007 US \$	31ST MARCH, 2006 US \$
<b>A. SHARE CAPITAL :</b>		
12,000 Shares of US\$ 0.01 each fully paid up [Previous Year: 12000 Shares of US\$ 0.01 each fully paid up]	120	120
<b>Total</b>	<b>120</b>	<b>120</b>
<b>B. RESERVE &amp; SURPLUS :</b>		
<b>Securities Premium :</b>		
Balance as per last year	99,900	99,900
	<b>99,900</b>	<b>99,900</b>
<b>Profit &amp; Loss Account :</b>		
Balance of Profit as per Profit & Loss Account	0	11,650
	<b>0</b>	<b>11,650</b>
<b>Total</b>	<b>99,900</b>	<b>1,11,550</b>

**C. FIXED ASSETS :**

Particulars	Gross Block			Depreciation			Net Block	
	As at 31-03-06	Additions During the year	As at 31-03-07	As at 31-03-06	Additions During the year	As at 31-03-07	As at 31-03-07	As at 31-03-06
	US \$	US \$	US \$	US \$	US \$	US \$	US \$	US \$
<b>Tangible Assets</b>								
Motor Car	18,480	0	18,480	5,833	3,696	9,529	8,951	12,647
Computer	2,360	0	2,360	433	472	905	1,455	1,927
Office Equipments	999	0	999	291	200	491	508	708
<b>Total</b>	<b>21,839</b>	<b>0</b>	<b>21,839</b>	<b>6,557</b>	<b>4,368</b>	<b>10,925</b>	<b>10,914</b>	<b>15,282</b>
<b>Previous Year</b>	<b>20,309</b>	<b>1,530</b>	<b>21,839</b>	<b>2,242</b>	<b>4,315</b>	<b>6,557</b>	<b>15,282</b>	<b>-</b>



# GALAXY CHEMICALS INC., USA

## SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS (Contd..)

	31ST MARCH, 2007 US \$	31ST MARCH, 2006 US \$
<b>D. CASH &amp; BANK BALANCES :</b>		
Cash on Hand	0	376
Cash at Bank	18,527	59,222
<b>Total</b>	<b>18,527</b>	<b>59,598</b>
<b>E. LOANS &amp; ADVANCES :</b>		
Prepaid Expenses	939	1,281
Security Deposits	7,140	3,340
<b>Total</b>	<b>8,079</b>	<b>4,621</b>
<b>F. CURRENT LIABILITIES :</b>		
Outstanding Expenses	80	2,083
<b>Total</b>	<b>80</b>	<b>2,083</b>
<b>G. ADMINISTRATIVE &amp; SELLING EXPENSES :</b>		
Rent	16,135	9,120
Insurance	9,187	8,008
Travelling & Conveyance	17,492	34,672
Printing & Stationery	883	1,017
Subscriptions, Books & Periodicals	315	8,532
Postage & Telephones	11,502	17,546
Legal & Professional Fees	51,400	21,508
Advertisement & Exhibition Expenses	1,690	666
Bank Charges	808	702
Office Expenses	1,538	409
Miscellaneous Expenses	341	265
<b>Total</b>	<b>1,11,291</b>	<b>1,02,445</b>

**GALAXY CHEMICALS INC., USA**  
**SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS (Contd..)**

**H. NOTES TO THE ACCOUNTS**

**1) Accounting policies adopted in preparation of financial statements:**

**(a) Basis for preparation of accounts :**

The accounts have been prepared to comply in all material aspects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

**(b) Revenue Recognition :**

Revenue/Income and Cost/Expenditure are generally accounted on accrual basis as they are earned or incurred, except in case of significant uncertainties.

**(c) Fixed Assets :**

Fixed assets are stated at cost less depreciation.

**(d) Depreciation on Fixed Assets:**

Depreciation is provided on straight line basis at the following rates.

Motor Car	20%
Computer	20%
Office Equipments	20%

**2. Previous year's figures are regrouped and rearranged wherever necessary to conform to this year's classification.**

As per our Report attached

**For S. V. PINGE & CO.**  
*Chartered Accountants*

**S. V. Pinge**  
*Proprietor*

Navi Mumbai  
Date : May 16, 2007

For and on behalf of the board

**U. SHEKHAR**  
*Chairman*

New Jersey, USA  
Date : May 15, 2007

**G. RAMAKRISHNAN**  
*Director*



**GALAXY SURFACTANTS LIMITED**

Registered Office : C-49/2, TTC Industrial Area, Pawne, Navi Mumbai-400 701.

**ATTENDANCE SLIP**

I hereby record my presence at the **TWENTY FIRST ANNUAL GENERAL MEETING** of the Company at the Registered Office of the Company at C-49/2, TTC Industrial Area, Pawne, Navi Mumbai 400 701 at **2.00 p.m.** on **Friday, the 29th June, 2007.**

SIGNATURE OF THE Name : \_\_\_\_\_

ATTENDING SHAREHOLDER/PROXY FolioNo.: \_\_\_\_\_

**NOTES :** No. of Shares Held : \_\_\_\_\_

- (1) Shareholder/Proxyholder desiring to attend the meeting must bring the Attendance Slip to the meeting and hand over at the entrance duly signed.
- (2) Shareholder/Proxyholder desiring to attend the meeting should bring his copy of the notice for reference at the meeting.

----- ( cut here ) -----

**GALAXY SURFACTANTS LIMITED**

Registered Office : C-49/2, TTC Industrial Area, Pawne, Navi Mumbai-400 701.

**PROXY FORM**

I/We \_\_\_\_\_ of \_\_\_\_\_ in the district of \_\_\_\_\_ being a Shareholder / Shareholders of the above-named company, hereby appoint \_\_\_\_\_ of \_\_\_\_\_ in the district of \_\_\_\_\_ of \_\_\_\_\_ failing him/her \_\_\_\_\_ of in the district of \_\_\_\_\_ as my/our Proxy to attend and vote for me/us and on my/our behalf at the **TWENTY FIRST Annual General Meeting** of the Company, to be held at the Registered Office of the Company at C-49/2, TTC Industrial Area, Pawne, Navi Mumbai-400 701 at **2.00 p.m.** on **Friday, the 29th June, 2007** and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2007.

Reference Folio

No. of Shares

Affix  
One Rupee  
Revenue  
Stamp

[ Signature of Member(s) ]

\* in favour of

This form is to be used ----- the resolution. Unless otherwise instructed the proxy will act, as he thinks fit.

\* against

\* Strike out whichever is not desired.

**NOTE :** The Proxy form must be returned so as to reach the Registered Office of the Company at C-49/2, TTC Industrial Area, Pawne, Navi Mumbai - 400 701 not later than **FORTY-EIGHT HOURS** before the time for holding the aforesaid meeting.



# GalsORB

RANGE OF SUNSCREENS

## Avobenzone

Butyl Methoxydibenzoylmethane  
 $C_{20}H_{22}O_3$

## Benzophenone - 3

2-Hydroxy-4-Methoxy Benzophenone  
 $C_{14}H_{12}O_3$

## Benzophenone - 4

2-Hydroxy-4-Methoxybenzophenone-5-sulphonic acid  
 $C_{14}H_{12}O_6S$

## SunBeat

Methoxy Cinnamidopropyl Hydroxysultaine  
US Patent No. 6531628

## TosyQuat

Methoxy Cinnamidopropyl Dimethylammonium Sulfate  
US Patent No. 6531628



Galaxy Surfactants Ltd.

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