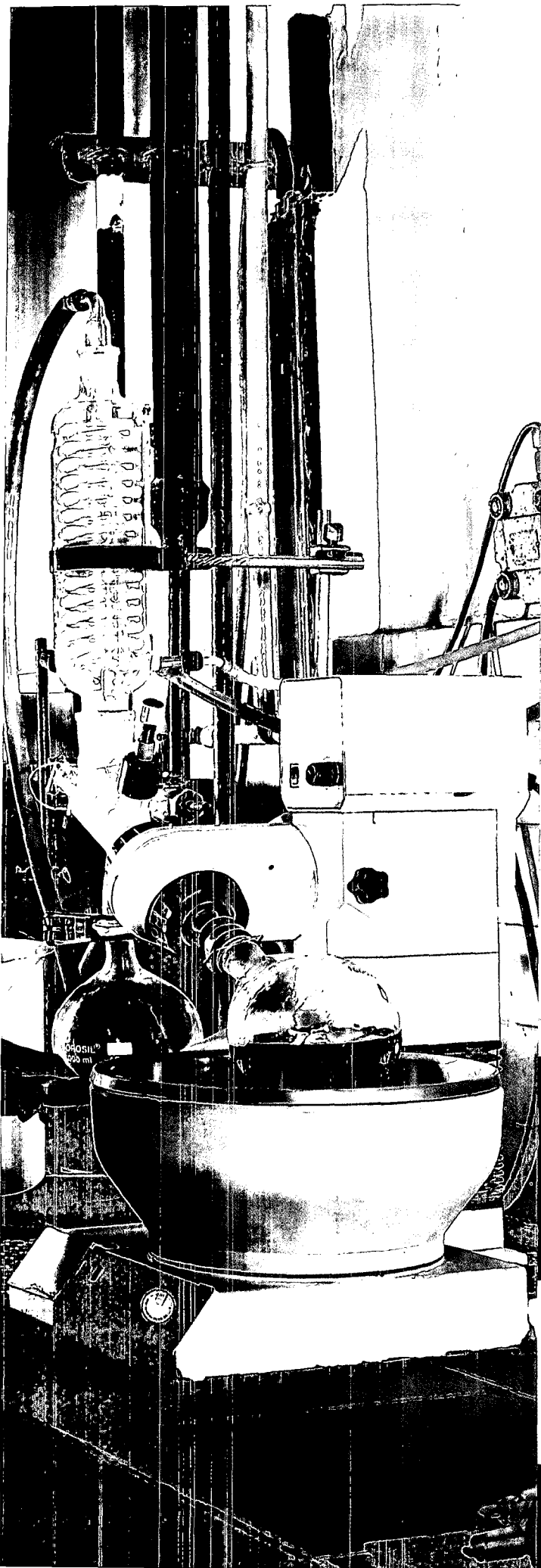


Galaxy Surfactants Ltd.
22nd Annual Report
2007-2008

Value through
innovation to customers



Glow & Smile
to consumers





Board of Directors



Sitting (Left to Right) :- Shashikant R. Shanbhag, V. Kasturirangan, U. Shekhar, S. Ravindranath, Sudhir Patil.

Standing (Left to Right) :- G. Ramakrishnan, Uday K. Kamat, Subodh S. Nadkarni, M.G. Parameswaran.



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
S. Ravindranath

Audit Committee

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

Auditors

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

Company Secretary

Ganesh Kamath

Bankers

Standard Chartered Bank
IDBI Bank
Citi Bank
The Saraswat Co-operative Bank Ltd.

Registered & Corporate Office

C-49/2, TTC Industrial Area,
Pawne, Navi Mumbai - 400 703.
Maharashtra, India

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).

Subsidiary

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

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.

Contact

Visit Galaxy at www.galaxysurfactants.com
Send E-mail to galaxy@galaxysurfactants.com
Call us at 91-22-2761 6666, 91-22-6513 4444

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TWENTY SECOND ANNUAL GENERAL MEETING

Day : Saturday the 19th July, 2008
Time : 2.00 p.m.
Place : At the Registered Office :
C-49/2, TTC Industrial Area,
Pawne, Navi Mumbai - 400 703,
Maharashtra, India.

NOTICE

Notice is hereby given that the Twenty Second Annual General Meeting of Galaxy Surfactants Limited will be held on Saturday, the 19th of July, 2008 at 2.00 p.m. at the Registered Office of the Company at C - 49/2, TTC Industrial Area, Pawne, Navi Mumbai – 400 703 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2008, 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. S. R. Shanbhag, who retires from office by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Uday K. Kamat, who retires from office by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Venkatesh Kasturirangan, who retires from office by rotation and, being eligible, offers himself for re-appointment.
6. 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

7. **Alteration to Memorandum of Association due to Re – classification of Authorised Capital**

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

“RESOLVED THAT pursuant to the provisions of Section 16, 94 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and subject to such approvals, consents, sanctions and permissions of appropriate authorities, departments or bodies as may be necessary, the Preference Share Capital of Rs. 10,00,00,000 comprising of 100,00,000 Preference Shares of Rs. 10 each in the Authorised Share Capital be re – classified as Equity Share Capital and the same be merged with the existing Equity Share Capital.

RESOLVED FURTHER THAT to enable the above reclassification of the Un-issued Preference Share Capital into Equity Share Capital, Para 1 of existing Clause V in the Memorandum of Association of the Company be substituted by the following para and the rest of the Clause shall remain unchanged.

V. The Authorised Share Capital of the Company is Rs. 25,00,00,000/- (Rupees Twenty Five Crore only) divided into 250,00,000 (Two Crore Fifty Lakhs) Equity shares of Rs. 10 (Rupees Ten only) each.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorized to take all such steps and actions and give such directions as may be in its absolute discretion deemed necessary and to settle any question that may arise in this regard.”

8. **Alteration of Articles of Association**

To consider and, if thought fit, to pass, with or without modifications, the following resolutions as a **Special Resolution**:

“RESOLVED THAT pursuant to the provision of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), the existing Article 4 of the Articles of Association of the Company be substituted by the new Article 4 as follows and the rest of the Article 4 (1) of the Articles of Association of the Company shall remain unchanged.

Article 4. Authorised Share Capital of the Company shall be as stated in Clause V of the Memorandum of Association of the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorized to take all such steps and actions and give such directions as may be in its absolute discretion deemed necessary and to settle any question that may arise in this regard.”

9. Alteration of Articles of Association

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

“RESOLVED THAT pursuant to section 31 and other applicable provisions, if any, of the Companies Act, 1956 and/or the provisions of other statutes as may be applicable and/or subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies the Articles of Association of the Company be and are hereby amended by inserting the following new Article 58 A after the existing Article 58 of the Articles of Association of the Company as follows:

Article 58 A Dematerialization of Securities:

(1) **Definitions:** For the purpose of this Article:

“Beneficial owner” means a person or persons whose name is recorded in the Register maintained by a Depository under the Depositories Act, 1996.

“SEBI” means the Securities and Exchange Board of India constituted under the Securities and Exchange Board of India Act, 1992.

“Security” means such security as may be specified by SEBI from time to time and includes all kinds of shares or debentures which may be issued from time to time by the company and which are entitled to be dematerialized.

“Members” in respect of dematerialized shares means the beneficial owner thereof, i.e. the person or persons whose name is recorded as a beneficial owner in the register maintained by a Depository under the Depositories Act, 1996, and in respect of the shares, the person or persons whose name is duly registered as a holder of a share in the Company from time to time and includes the subscribers to the Memorandum of Association.

“Corporate benefits” means and includes the benefits like dividend on the shares, interest on debentures, rights, options and bonus entitlements which may at any time be bestowed on the holders of the securities by virtue of holding the securities.

(2) **Dematerialization of securities:-**

Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialize its existing Securities, rematerialize its Securities held in the Depositories and /or to offer its fresh securities in a dematerialized form pursuant to the provisions of the Depositories Act, 1996, and the rules framed there under, if any.

(3) **Issue of securities and option for investors:-**

The Company may exercise the option to issue, deal in or hold the Securities with a Depository in electronic form and the Certificates in respect thereof shall be dematerialized, in which event the rights and obligations of the parties concerned and the matters connected therewith, or incidental thereof shall be governed by Depositories Act, 1996.

Every person subscribing to the Securities offered by the Company shall have the option to receive Security Certificates or to hold the Securities with a Depository. Such a person who is the Beneficial Owner of the Securities can at any time opt out of a Depository, if permitted by the law, in respect of any Security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the Beneficial Owner the required Certificate of Securities.

If a person opts to hold his Security with a Depository, the Company shall intimate such Depository the details of the allotment of the Security, and on receipt of the information, the Depository shall enter in its record the name of the allottee as the Beneficial Owner of the Security.

(4) **Securities of the depository mode to be in fungible form:-**

All securities held in the depository mode with a depository shall be dematerialized and be in fungible form. Nothing contained in sections 153, 153A, 153B, 187B, 187C, 372 of the Act shall apply to such securities held

by a depository owner, in respect of the Securities held by it on behalf of the Beneficial Owner

(5) Right of Depositories and Beneficial Owners:-

- (a) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.
- (b) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have other membership rights or be entitled to the corporate benefits that may accrue to the members of the company.
- (c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the register maintained by a depository shall be deemed to be a member of the Company. The beneficial owner of securities shall alone be entitled to all the rights and benefits and be subject to all the liabilities like payment of unpaid call monies and furnishing of such information as may be necessary to enable the company to enter his name in the register and index of beneficial owners or other records as applicable, in respect of the securities held in the depository mode of which he is the beneficial owner.

(6) Service of documents on company:-

Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a depository mode, the records of the beneficial owner may be served by a depository on the company by means of electronic mode or by delivery of floppies or discs.

(7) Service of notice on beneficial owners:-

Wherever required, the company may serve a notice for any purpose under the Act in accordance with the provisions of section 53 of the Act or as permissible under any law or statute for the time being in force.

(8) Transfer of securities:-

Nothing contained in section 108 of the Act, these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered in the Register maintained under the Depositories Act, 1996.

(9) Allotment of Securities dealt with a depository

Notwithstanding anything contained in the Act or the Articles, where Securities are dealt with by a Depository, the Company shall intimate the details thereof to the Depository immediately on allotment of such Securities.

(10) Distinctive numbers of securities held in depository mode:-

Nothing contained in the Act or under these Articles regarding the necessity of having distinctive numbers for securities issued by the company shall apply to the securities held in the depository mode.

(11) Register and index of members:-

- (a) The Company shall cause to be kept a Register and Index of members in accordance with all applicable provisions of the Act and the Depositories Act, 1996 with details of shares in material and dematerialized forms in any media as may be permitted by law, including in any form of electronic media.
- (b) The register and index of beneficial owners maintained by a depository under the Depositories Act, 1996 shall be deemed to be Register and index of members and holders of securities for the purposes of these Articles and the Act.

(12) Issue of Share Certificates:-

In the case of transfer and transmission of shares where the Company has not issued any certificates and where such shares are being held in an electronic and fungible form in a Depository, the provisions of the Depositories Act, 1996 shall apply."

10. Preferential Issue of Equity Shares

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

"RESOLVED THAT pursuant to the provisions of Section 81(1A) of the Companies Act, 1956 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof)

and subject to such approvals, permissions and sanctions as may be necessary and subject to such conditions as may be prescribed or imposed while granting such approvals and which may be agreed to or accepted by the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this Resolution), consent of the Company be and is hereby accorded to the Board to offer, issue and allot in one or more tranches up to 2,50,000 (Two Lakhs Fifty Thousand) equity shares of Rs. 10/- each at a premium in the range of Rs.140/- to Rs 240/- per share to the employees and non-promoter directors of the Company and employees of its subsidiaries as the Board may at its sole discretion decide from time to time ("Eligible Employees"), either directly or indirectly through a trust which may be set up in any permissible manner solely for the welfare of the employees of the Company and/or employees of the subsidiary Companies .

RESOLVED FURTHER THAT the equity shares so issued and allotted shall rank in all respects, *pari passu*, with the existing equity shares of the Company, save and except, that such equity shares shall carry the right to receive either the full dividend or a prorata dividend from the date of allotment, as may be decided by the Board, declared for the financial year in which the allotment of the equity shares shall become effective.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board be and is hereby authorized on behalf of the Company to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit or necessary or desirable for such purpose and with power on behalf of the Company to settle any issues, questions, difficulties or doubts that may arise in this regard."

11. Public Issue of Equity Shares

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

"RESOLVED in accordance with the provisions of section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof, for the time being in force) and the provisions of the Memorandum and Articles of Association of the Company and the Listing Agreements to be entered into between the Company and the Stock Exchanges, where the Equity Shares of the Company are proposed to be listed, and subject to the approval of the Government of India ("GoI"), Securities and Exchange Board of India ("SEBI"), Reserve Bank of India ("RBI") and all other appropriate authorities and such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as 'the Board' which term shall be deemed to include any Committee which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this Resolution), the consent of the Company be and is hereby accorded to the Board, to offer/issue/allot from time to time not exceeding Forty Lakh Equity Shares of the face value of Rs.10 each ("the Shares"), for cash at a price to be determined by the Book Building Process in accordance with the provisions of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (the "SEBI DIP Guidelines") including a Greenshoe option, if any ("Issue") out of the Authorized Share Capital of the Company to such person or persons, who may or may not be the shareholder(s) of the Company, as the Board may in its sole discretion decide, including one or more of the members, promoters, employees of the Company including Employees of the Subsidiary Companies, (through a reservation in the Public Issue or otherwise) Non-resident Indians, Foreign Institutional Investors (FIIs), Mutual Funds, Banks, Venture Capital Funds, Foreign Venture Capital Investors, State Industrial Development Corporations, Insurance Companies, Provident Funds, Pension Funds, Development Financial Institutions, multilateral and bilateral financial institutions, National Investment Fund qualifying as qualified institutional buyer under the SEBI DIP Guidelines, bodies corporate, companies, private or public or other entities, authorities and to such other persons in one or more combinations thereof, whether through an Initial Public Offering (IPO) and/or IPO cum Offer for Sale by the existing shareholders, in consultation with the Book Running Lead Manager(s) (BRLMs) and Advisor(s) to the Issue or such persons and in one or more tranches, in such manner, including allotment to stabilization agent in terms of green shoe option, if any, exercised by the Company, and where necessary in consultation with the Book Running Lead Manager(s) and/or Underwriter(s) and/or Stabilizing Agent and/or other Advisors or such persons and on such terms and conditions including the number of shares to be issued, at par or at premium and for cash or other consideration on such terms and conditions as may be finalized by the Board and that the

Board may finalize all matters incidental thereto.

RESOLVED FURTHER that subject to and in accordance with the provisions of SEBI (Disclosure and Investor Protection) Guidelines, 2000, including any amendments thereof, if applicable ("SEBI DIP Guidelines"), consent of the members of the Company is accorded to the issue and allotment of such number of equity shares of the face value of Rs.10/- each to the Employees of the Company, Employees of the Subsidiary Companies and Non Promoter Directors of the Company or to any categories of persons eligible for a reservation in accordance with the SEBI DIP Guidelines and other applicable laws, regulations, policies or guidelines and do all such other acts, deeds, matters and things as the Board may from time to time, in its absolute discretion, finalize all matters incidental thereto or in relation to the foregoing.

RESOLVED FURTHER that all the new shares to be issued and allotted in the manner aforesaid shall rank pari passu in all respects with the then existing Equity Shares of the Company and will be subject to any listing requirements of the relevant stock exchanges.

RESOLVED FURTHER that such of these shares to be issued as are not subscribed may be disposed of by the Board to such persons and in such manner and on such terms as the Board may in its absolute discretion think most beneficial to the Company including offering or placing them with Banks/Financial Institutions/ Investment Institutions/Mutual Funds/ Foreign Institutional Investors/ Bodies Corporate/ such other persons or otherwise as the Board may in its absolute discretion decide.

RESOLVED FURTHER that for the purpose of giving effect to this Resolution, the Board is hereby authorized to determine the terms of the Issue including the class of investors to whom the securities are to be allotted, the number of securities to be allotted in each tranche, issue price, premium amount on issue, listing on one or more stock exchanges in India as the Board in its absolute discretion deems fit, and further, the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the Issue including but not limited to allotment and utilization of the proceeds and further to do all such acts, deeds, matters and things and to appoint Lead Manager(s), Advisor(s), if any, and such intermediaries as may be required in the process and to finalize the issue expenses including payments to intermediaries, regulators and any other entities as may be required and to decide on the structure of the Public Issue, including reservations/firm allotments for specified categories as permitted under the SEBI DIP Guidelines, and execute all documents and writings as may be necessary, proper, desirable or expedient as it may deem fit including the various agreements for the Issue with various parties and to give such directions and/or instructions as it may from time to time decide and to accept and give effect to such modifications, changes, variations, alterations, deletions, additions as regard the terms and conditions, including the timing of the Issue, premium to be charged on the Shares and to vary the size of the Issue as the Board may in its absolute discretion decide in the interest of the Company without requiring any further approval of the members and that all or any of the powers conferred on the Company and the Board vide this resolution may be exercised by the Board or such Committee thereof as may be constituted in this behalf.

RESOLVED FURTHER that a Committee under the name and style of "IPO Committee" be and is hereby constituted comprising of:

Mr. U. Shekhar

Mr. G. Ramakrishnan

Mr. S. R. Shanbhag

Mr. Uday K Kamat

(any two Directors to form a quorum)

for the purpose of giving effect to the Public Issue and that the IPO Committee be and is hereby authorised on behalf of the Board to undertake the following acts:

- a) to decide on the timing, pricing and all the terms and conditions of the Public Issue including the price, and to accept any amendments, modifications, variations or alterations thereto;
- b) to appoint and enter into arrangements with the BRLMs, Underwriters to the Public Issue, Syndicate Members to the Public Issue, Brokers to the Issue, if any, Escrow Collection Bankers to the Public Issue, Registrars,

Legal Advisors and any other agencies or persons or intermediaries to the Public Issue and to negotiate and finalise the terms of their appointment, including but not limited to changing and/or substituting any one or more of the above agencies execution of the BRLMs mandate letter, negotiation, finalisation and execution of the Memorandum of Understanding with the BRLMs etc.;

- c) to finalise and settle and to execute and deliver or arrange the delivery of the Draft Red Herring Prospectus, the Red Herring Prospectus, the Final Prospectus, Syndicate Agreement, Underwriting Agreement, Escrow Agreement, Stabilization Agreement, if any, and all other documents, deeds, agreements and instruments as may be required or desirable in relation to the Public Issue;
- d) to open with the Bankers to the Public Issue such accounts as are required by the regulations issued by SEBI;
- e) to authorize and approve the incurring of expenditure and payment of fees in connection with the Public Issue;
- f) to do all such acts, deeds, matters and things and execute all such other documents, etc. as it may, in its absolute discretion, deem necessary or desirable for such purpose, including without limitation, finalizing the basis of allocation, allotment of shares to the successful allottees as permissible in law, issue of share certificates ;
- g) to do all such acts, deeds and things as may be required to dematerialize the equity shares of the Company and to sign agreements and/or such other documents as may be required with National Securities Depository Limited, Central Depository Services (India) Limited and such other agencies, authorities or bodies as may be required in this connection;
- h) to make applications to one or more Stock Exchange(s) for listing of the equity shares of the Company and to execute and to deliver or arrange the delivery of necessary documentation to the concerned Stock Exchange(s);
- i) to settle all questions, difficulties or doubts that may arise in regard to such issues or allotment as it may, in its absolute discretion deem fit and
- j) to exercise such other powers under the superintendence, directions and guidance of the Board, as the Board may find it appropriate to delegate to the Committee from time to time, to successfully complete the issue and all other matters relating to the same.

RESOLVED FURTHER that all monies received out of the issue and allotment of equity shares to public shall be transferred to a separate Bank Account other than the Bank Account referred to in sub-section (3) of section 73 of the Companies Act, 1956;

RESOLVED FURTHER that the IPO Committee be and is hereby authorized to approve, adopt and file the Prospectus for the Public Issue as required under sections 60 and 60B of the Companies Act, 1956 with the Registrar of Companies, Maharashtra, Mumbai and to make any corrections or alterations therein."

Registered Office:
C-49/2, TTC Industrial Area,
Pawne, Navi Mumbai - 400 703

By order of the Board,
For Galaxy Surfactants Limited,

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

Date: June 10, 2008

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 **5th of July, 2008 to 19th of July, 2008**(both days inclusive) for the purpose of determining entitlement for the payment of dividend for the year ended 31st March, 2008, if declared by the Company.
3. The dividend for the year ended 31st March, 2008, 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 1st 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, 2001-02, 2002-03, 2003-04, 2004-05, 2005-06, 2006-07 and 2007-08 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, 2596 3857, Fax No. 2596 2691.
Email: isrl@vsnl.com
7. Members are requested to bring their copies of the Annual Report at the meeting.
8. The Memorandum of Association and Articles of Association duly incorporating therein the proposed alterations and amendments 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:
C-49/2, TTC Industrial Area,
Pawne, Navi Mumbai - 400 703

By order of the Board
For Galaxy Surfactants Limited

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

Date: June 10, 2008

EXPLANATORY STATEMENT PURSUANT TO THE PROVISIONS OF SECTION 173(2) OF THE COMPANIES ACT, 1956,

Item No. 7 and 8

The present Authorised Share Capital of the Company is Rs. 25 Crore divided into 1.5 Crore Equity Shares of Rs. 10 each aggregating to Rs. 15 Crore and 1 Crore Preference Shares of Rs. 10 each aggregating to Rs. 10 Crore. At present the Company does not have any issued Preference Share Capital.

Having a pre classified Preference Share Capital would warrant reclassification if the un-issued Authorised Capital is to be issued with rights and obligations which do not fall within the ambit of the rules governing the issue of Preference Shares.

Hence it is considered appropriate to reclassify and merge the existing Preference Share Capital of Rs 10 Crore divided into 1 Crore shares of Rs 10 each into Equity Share Capital, other aspects remaining unchanged.

This reclassification requires amendment to clauses in both the Memorandum of Association and Article of Association dealing with the rules governing the Authorised Share Capital of the Company. Resolution No.7 is for alternation to the Memorandum of Association by Ordinary Resolution and Resolution No. 8 is for alteration to the Articles of Association by Special Resolution.

The Board of Directors therefore recommends Resolutions no. 7 & 8 for your approval.

None of the Directors is interested in these Resolutions.

Item No. 9

Presently, the Shares of the company are available only in physical form. In order to provide the Members opportunity to hold their shares in the electronic mode and also as an enabling need for further mobilisation of capital funds; it has been considered appropriate to make provision for issue of securities in Demat form. This necessitates some changes in provisions of the Articles of Association to permit such dematerialised holdings and make them compliant to the regulatory frame work and rules within which such form of non physical holding operate.

Accordingly, we are proposing to amend the Articles of Association and provide for a new Article 58 A in the same. This Article covers all the relevant aspects of law and rules governing such Dematerialised holding as are currently prevalent. This amendment to the Articles of Association will not in any way curtail the current rights of the Members to continue to hold the shares in physical form. Under section 31 of the Companies Act, 1956, any amendment in Articles of Association requires the consent of the Members by passing a Special Resolution.

Hence, the Board of Directors recommends Resolution No. 9 for your approval.

None of the Directors is interested in this Resolution.

Item No. 10

The Company proposes to allot by way of private placement equity shares not exceeding 2,50,000 directly to its employees and/or employees of the subsidiary companies and non promoter directors of the Company whether they are the existing members of the Company or not or indirectly through a trust which may be set up in any permissible manner solely for the welfare of such employees, on terms and conditions solely at the discretion of the Board of Directors of the Company.

In view of the requirements of section 81 (1A) of the Companies Act, 1956 and the Unlisted Public Companies (Preferential Allotment) Rules, 2003 made there under, the Company has to seek approval of members at the general meeting by way of special resolution which will be valid for a period of 12 months from the date of passing thereof.

The Company submits the following information for taking appropriate decision for approval of the proposed resolution as set out in the Item No. 10 of the notice of the meeting by way of Special Resolution.

(a) The price band at which allotment is proposed: Equity Share of Rs. 10 each at a premium ranging in the band of Rs. 140 to Rs 240 per equity share as may be decided by the Board.

The Board of Directors have fixed the above price band relying on its expertise and experience. It shall at its sole

discretion, fix the issue price within the above price band for each class of Eligible Employees by adjusting the Fair Value to be arrived at by the Statutory Auditors of the Company on the basis of audited financial statements for the year ended March 31, 2008

- (b) **The relevant date on the basis of which price has been arrived at:** The Board of directors at their meeting held on June 10, 2008 have considered the issue price at a premium in the range of Rs. 140 to Rs. 240 per equity share based on the audited financial results as on March 31, 2008, relying on their expertise and experience.
- (c) **The object of the issue:** To reward the contribution of employees of the Company, employees of the subsidiary companies and non promoter directors in the growth of the Company and to motivate loyal, qualified, experienced and talented people, the Company is proposing to offer its shares on a private placement basis.
- (d) **The class or classes of persons to whom the allotment is proposed to be made:** This includes the employees of the Company, employees of the subsidiary companies and non promoter directors of the Company (the "Eligible Employees").
- (e) **Intention of promoters/directors/key management persons to subscribe to the offer:** The promoters and their relatives do not intend to participate in the proposed preferential issue of shares.
- (f) **Shareholding pattern of promoters and others classes of shares before and after the offer:** The Company's existing shareholding pattern is as under:

Category	No. of shares	%age
Promoters and their relatives	66,66,552	77.85
Directors (Other than Promoters)	10,000	0.11
Employees	2,09,537	2.45
General Public	16,77,599	19.59
Total	85,63,688	100.00

Since the Company proposes to allot equity shares which are less than 3% of the existing share capital by way of a private placement to its employees, employees of subsidiary companies and non promoter directors as may be decided by the Board, there will be no substantial change in the share holding pattern after the proposed issuance of equity shares.

- (g) **Proposed time within which the allotment shall be competed:** Within a period of one year from the date of approval of the resolution.
- (h) **Whether a change in control is intended or expected in the affairs of the Company:** The Board does not envisage any change in the affairs of the Company by the proposed allotment of shares.
 In terms of the Unlisted Public Companies (Preferential Allotment) Rules, 2003 the certificate of the Statutory Auditors to the effect that the proposed issue is being made in accordance with these Rules is obtained and the same is available for the inspection of the shareholders 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.
 None of the directors of the Company is concerned or interested in the proposed resolution except, non promoter directors to the extent they subscribe for equity shares under the preferential allotment in terms of the above.

Item No. 11

With a view to further augmenting the Company's capital base for its ongoing business activities and to meet its increased financial needs, to invest in various subsidiaries of the Company, and for other general corporate purposes, and to list its shares, the Company proposes to raise finance by issue of Equity Shares under an Initial Public Offering in accordance with the applicable regulations as stated in Item No. 11. Listing enhances the Company's visibility; helps determine the true valuation of the Company and also provides liquidity to the existing shareholders. Listing will also enable the Company to access capital markets in future, to be able to raise additional resources for its rapidly growing business activities. Your Board or a duly constituted committee thereof will formulate the frame work within which such allotments will be done in the best interests of the Company.

Acquisition of shares by employees of the Company makes them share the profits and gains of the company as a shareholder. It is a tool to integrate corporate objective with individual employee's objective. It makes employees add value to the company and benefit from it on the same terms as any other provider of risk capital. The Company

therefore proposes to make a reservation in the issue for allotment to employees of the Company, employees of the subsidiary companies and non promoter directors of the Company in the IPO at such price as may be allowed by the appropriate authority and the regulations to which such reservation is subject to.

The Equity Shares will be issued under the Book Building Process in accordance with the provisions of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

Since the new equity shares are proposed to be issued to the persons other than the existing shareholders of the Company, the consent of the members is being sought by a Special Resolution in terms of section 81(1A) of the Companies Act, 1956.

Your Directors recommend this Resolution for the approval of the members as a Special Resolution.

The Directors of the Company may be deemed to be concerned or interested in this resolution to the extent any securities may be offered to and/or subscribed for by them or any company or body(ies) corporate of which they are directors or members. Save as aforesaid, none of the Directors of the Company is, in any way, concerned or interested in this Resolution.

Registered Office:

C-49/2, TTC Industrial Area,
Pawne, Navi Mumbai - 400 703

By order of the Board
For Galaxy Surfactants Limited

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

Date: June 10, 2008

DIRECTORS' REPORT

TO THE SHAREHOLDERS

Your Directors have great pleasure in presenting the Twenty Second Annual Report together with the Audited Statements of Accounts for the year ended March 31, 2008.

FINANCIAL RESULTS

	Rupees in lakhs	
	<u>2007-2008</u>	<u>2006-2007</u>
Particulars		
Net Sales :		
Domestic	16491.97	15060.53
Exports	21718.95	17210.37
Total Net Sales	38210.92	32270.90
Gross Profit before Interest & Depreciation	5401.54	5008.56
Less : Interest & Finance Charges	837.18	709.94
Less : Depreciation	1200.38	1105.74
Profit for the year before Tax	3363.98	3192.88
Less : Provision for Taxation - Current	641.00	710.00
- Deferred	65.23	(54.22)
- Fringe Benefit Tax	18.00	13.00
Net Profit after Tax	2639.75	2524.10
Add/(Less) : Prior Year Tax Adjustments (Credit)	-	51.61
Add : Opening Balance in Profit & Loss Account	4027.83	2202.25
Amount available for appropriations	6667.58	4777.96
Appropriations		
Transfer to General Reserve	264.00	253.00
Interim Dividend	-	128.45
Corporate Dividend Tax on Interim Dividend	-	18.01
Proposed Final Dividend	428.18	299.73
Provision for Corporate Dividend Tax on Final Dividend	72.77	50.94
Surplus carried to Balance Sheet	5902.63	4027.83

DIVIDEND

Your Directors recommend a dividend of 50% i.e. Rs.5.00 per share (Exclusive of Corporate Dividend Tax) on the Equity Share Capital of Rs.856.37 Lakhs for the year ended March 31, 2008. The total outgo on account of Dividend (Rs 428.18 Lakhs) including the Distribution Tax (Rs 72.77 Lakhs) thereon works out to Rs 500.95 Lakhs.

FINANCIAL & OPERATIONAL PERFORMANCE :

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

	<u>2007-08</u>	<u>2006-07</u>
Net Sales Growth (%)	18.41	19.71
PBDIT (% to Sales)	14.14	15.52
PBIT (% to Sales)	10.99	12.09
PAT (% to Sales)	6.91	7.82
ROCE (%)	21.67	21.98
Return on Net Worth (%)	32.43	41.74
Debt : Equity Ratio	0.79	0.92
Net Working Capital (% to Gross Sales)	19.73	19.59
Earning Per Share (Rs.)	30.82	29.47
Cash Earning Per Share (Rs.)	45.60	41.75
Book Value Per Share (Rs.)	107.34	82.74

Financial Performance:

The year under review has been characterized by following significant developments in the business environment which to a large extent were successfully responded to by your Company:

- Rupee has continuously appreciated against the US Dollar (USD). The average USD realization value for the current year is lower by Rs 3.90 per dollar as against 2006-07. This gives an effective Rupee appreciation impact of 8.6 % against the USD for your Company. The forward covers taken against exports on global basis linked to previous year export performance has helped your Company improve rupee realizations against foreign exchange earnings for the year.
- Persistent global increase in all raw material and packing material prices have been a major cause of concern. Your Company has been partially successful in weathering the cost increase through a combination of multiple efficiency improvement initiatives and price increase where the market afforded. Managing through the complexities of the business conditions, though, has not been easy.
- In the first quarter (April to June, 2007) production was suspended at one of our plants for about six weeks for de-bottlenecking of capacities. During this period your Company had to import intermediate products at higher costs to meet customer commitments. External processing had also to be resorted to as a temporary measure to mitigate the shortage of in house available capacity. These measures had a significant impact on the Year's profits.
- There has been quantum increase in energy and transportation costs. This to some extent has been addressed by increase in productivity and better asset utilization through de-bottlenecking.
- Financial markets have been evidencing a rise in borrowing costs. Your Company has not been immune to the same, but it has been successful in moderating the impact through a judicious mix of funding sources and restricting the effective rise to 15 basis points over the previous year.
- New investments for specific business opportunities made during the year could not be put to full use as envisaged and the same is expected to fully fructify during the ensuing year.
- During the de-bottlenecking at Taloja and renovation of the Corporate Office, certain assets had to be scrapped and the total abnormal impact arising therefrom on the Profit Before Tax is Rs 336.39 Lakhs, which has been charged off under appropriate expense heads.
- Your Company has not entered into any exotic derivative structures for hedging its foreign currency exposures. All its trade level foreign currency hedging has been through plain vanilla forward covers.

Investments & Funding:

The highlights during the year are as under:

- During the year the Company has made a total outlay of Rs 2754.10 Lakhs primarily on de-bottlenecking of production facilities at Taloja to improve productivity and up gradation of its Corporate Office.

- This outlay has been mainly funded from internal accruals and foreign currency borrowing from Development Bank of Singapore.
- During the ensuing year a total capital outlay of Rs 2790.92 Lakhs is envisaged to meet the needs of another round of de-bottlenecking, strengthening & improving the R&D facilities and foray into new specialty products.

SALES GROWTH

	2007-08	2006-07	
	<u>Rs. lakhs</u>	<u>Rs. lakhs</u>	<u>% Growth</u>
Domestic Sales	16491.97	15060.53	9.50%
Export Sales	21718.95	17210.37	26.20%
Total Net Sales	38210.92	32270.90	18.41%

Domestic Sales:

Your Company continues to sustain and enhance its significant market share in the Indian market.

The business environment was complex for:

- Commodities undergoing historical change in demand supply forces influencing prices
- Persistent global increase in the prices of both Oleo-chemical and Petrochemical based feedstock coupled with issues on availability
- Appreciation in the value of Rupee, resulting in pressure on margin through imports.

We are confident of sustaining the growth momentum during 2008-09 backed by our strategic partnership with our customers.

Export Sales:

Your Company achieved a robust growth of 26.20 % in export sales. During the year your Company has been able to consolidate and expand its position with its existing global strategic customers.

The environment for international business has been quite challenging on account of volatile currency movements and increase in freight rates. We have been able to sustain exports growth in the back drop of strong customer relations that have been nurtured over time.

Future growth lies in being near the customer and having manufacturing bases in different geographies to meet the regional competitive forces at play. Opportunities are being evaluated in regions where significant presence has been developed; to build on the market acceptance, improve the service levels and improve competitive strengths. Substantial progress has been made with strategic customers on new product offerings, with better performance at efficient pricing. Your Company is confident that its investment in research and development and new products targeted for export market will enable it to move up the value chain.

As an acknowledgment of its export performance, your Company has been accorded a Star Export House status by the Government of India during the year.

BUSINESS STRATEGY & OUTLOOK:

With greater integration of business to global economic developments, your Company has pursued the stated objective of sustaining the financial performance, by leveraging its association with key customers, by:

- Accessing broader business opportunities and striking a right mix between volume and value business
- Leveraging customer relationships to access opportunities by offering strategic alternatives
- Being near to the customer and a supplier of choice with strategic cooperation

Accordingly your Company has committed resources to:

- Invest in IT Systems to efficient decision support systems for quick response to business uncertainties and customer service needs.
- Invest in superior development facilities to deliver new customized products.

Your Company is currently evaluating a mix of off shore investment opportunities both in developed and in emerging markets. Such a geographic spread of production facilities would enable your Company to meet its profitable growth aspirations.

PUBLIC ISSUE:

Your Company contemplates raising capital to fund the above business initiatives through an Initial Public Offer (IPO). Accordingly, certain enabling resolutions are being placed before the shareholders for approval.

HUMAN RESOURCES:

Your Company believes that enterprise performance is an aggregation of performance of the people who make the organization and that People Energy can be significant differentiator to make a high performing organization.

Your Company is taking significant steps in raising, acquiring and integration of people competencies across the organization.

Your Company has also been sponsoring Senior and Middle Management personnel for Leadership Development Programs at reputed Management Schools.

People in Galaxy have always been Sources creating Resources of opportunities, possibilities and creativity.

TPM

Your Company has been bestowed with Special Award in TPM by the Japan Institute of Plant Management at a special function held in Japan on 12th March 2008.

The award is an acknowledgement that your Company nurtures learning, competency building, and work force development as an organization pervasive continuous improvement process.

ENTERPRISE RESOURCE PLANNING

To leverage SAP for decision support and reporting needs, your Company is in the process of implementing Business Intelligence module. The configuration work is in an advanced stage and it will be fully operational from the second half of the next accounting year.

Further to increase the expanse of system driven approach to data handling, your Company is in the process of implementing Adrenalin Software to meet the data application needs of People Management and unify the same with the SAP ERP Package.

Your Company has embarked on the course to unify the data base both functional and financial so that usage, productivity and financial optimization can be measured and improved to meet the competitive business needs.

With robust information systems support, your Company will have accomplished a significant organizational need for business and operational scalability, with adequate controls.

FIXED DEPOSITS

Your Company's fixed deposits stood at Rs 818.95 Lakhs with 592 fixed deposit holders at the end of the year under review as against Rs 747.85 Lakhs last year. There are no overdue deposits as at 31st March, 2008.

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 31st March, 2008 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.

BOARD OF DIRECTORS

During the year under review:

- Mr. S. Ravindranath joined the Board with effect from 29th June 2007 as an independent director liable to retire by rotation.
- Mr. V. Kasturirangan, Mr. S. R Shanbhag and Mr. U. K. Kamat are directors who are liable to retire by rotation and being eligible offer themselves for reappointment.
- Your Company held seven Board Meetings and three Audit Committee Meetings.

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 judgements 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 31st March, 2008 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
June 10, 2008.

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	<u>2007-2008</u>	<u>2006-2007</u>
(I) ELECTRICITY		
a) Purchased:		
Unit in 1000 KWH	3250	2644
Total amount (Rs. in Lakhs)	171.41	151.53
Rate/KWH (Rs.)	5.27	5.69
b) Own Generation :		
through Diesel Generator :		
Unit in 1000 KWH	12593	12946
Total amount (Rs. in Lakhs)	591	533
Rate/ KWH (Rs.)	4.69	4.12
(II) FUEL		
a) Light Diesel Oil		
Quantity in KL	663	736
Total Cost (Rs. in Lakhs)	184.80	205.35
Rate/Unit Rs./KL	27892	27907
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	519	510
Total Cost (Rs. in Lakhs)	106.92	95.27
Rate/Unit Rs./KL	20601	18696
d) Coal		
Quantity in MT	3330	3269
Total Cost (Rs. in Lakhs)	146.42	119.75
Rate/Unit Rs./MT	4397	3663

(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 products in personal care to meet customer requirements
- * Establish a Product Application facility to evaluate cosmetic products incorporating our products
- * Scaling up new products on pilot plant and further to commercial scale
- * Development of formulations in Syndets / Transparent bases and their subsequent assessment
- * Gaining expertise in specialised analytical instruments.

Achievements:

- * Developed three specialty chemicals for personal care applications
- * Established an organoleptic cell for product evaluation
- * Performance evaluation of a hair conditioning ingredient .

Particulars	(Rs. in Lakhs)	
	<u>2007-08</u>	<u>2006-2007</u>
Expenditure on R & D	247.53	129.35

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)	9490.20	5124.40
Capital Goods	354.32	101.34
Spares & others	25.64	12.39
Foreign Travel	53.56	57.37
Exports Commission	211.70	167.20
Professional Fees	69.54	24.64
Book, Periodicals, Exhibitions, Subscription & Membership, Commission, Training and Seminar	24.09	33.63
Interest & Processing Charges on Borrowings	34.86	69.93
Others	205.17	105.49

b) Earnings in Foreign Currency:

F.O.B. Value of Exports (This does not include exports to Nepal, deemed exports)	21090.54	16483.20
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For and on behalf of the Board

Navi Mumbai
June 10, 2008

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 31st March, 2008.

Name	Age	Designation	Gross Remuneration Rs.	Qualification	Experience	Date of Commencement of Employment	Previous Employment / Position Held
1 Mr. G. Ramakrishnan	52	Director – Home & Personal Care (Global)	76,54,712	M.Com., F.C.A., F.I.C.W.A., A.C.S	32	May 20, 1986	Colgate Palmolive (I) Ltd. - Accountant
2 Mr. S. R. Shanbhag	53	Whole-time Director	76,78,080	B.Com., A.C.A., Grad. C.W.A.	32	May 20, 1986	Colgate Palmolive (I) Ltd.- Accountant
3 Mr. U. Shekhar	53	Chairman & Managing Director	75,78,173	B.Chem. Engg. (UDCT), PGDBM (IIM Cal)	32	May 20, 1986	Lupin Laboratories Ltd.- Management Trainee
4 Mr. U. K. Kamat	53	Executive Director – Finance	76,71,648	B.Com., A.C.A., Grad. C.W.A.	32	April 1, 2003	Practising Chartered Accountant
5 Mr. K. K. Natarajan	43	Head-GCD Process & DBC Process(India)	25,81,293	B.Com., A.I.C.W.A	15	April 21, 1993	Indian Organic Chemicals Ltd –Deputy Manager-Finance

Notes:

- 1 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.
- 2 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.
- 3 None of these employees is related to any Directors of the Company.

For and on behalf of the Board

Navi Mumbai
June 10, 2008

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 31st March, 2008, 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 31st March, 2008, 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 31st March, 2008;
 - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

Navi Mumbai
June 10, 2008

S. V. PINGE
Proprietor
Membership No. 44276

ANNEXURE TO THE AUDITORS' REPORT

OF EVEN DATE ON THE ACCOUNTS OF GALAXY SURFACTANTS LIMITED FOR THE YEAR ENDED 31ST MARCH, 2008.

[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.86.59 lakhs and the year end balance of the loans taken from such parties was Rs. 86.59 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. According to the information and explanations given to us, there are no contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that need to be entered in the register required to be maintained under that section.
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 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 31st March, 2008 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 31st March, 2008 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,

Navi Mumbai
June 10, 2008

S. V. PINGE
Proprietor
Membership No. 44276

BALANCE SHEET AS AT 31ST MARCH, 2008

	<u>SCHEDULE</u>	<u>31ST MARCH, 2008 Rupees</u>	<u>31ST MARCH, 2007 Rupees</u>
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	A	8,56,36,880	8,56,36,880
Reserves & Surplus	B	83,36,29,413	62,29,49,046
Loan Funds			
Secured Loans	C	82,16,55,822	56,30,84,475
Unsecured Loans	D	17,48,57,053	38,50,23,081
Deferred Tax Liability (Net)	E	15,49,17,863	15,00,42,337
TOTAL		<u>207,06,97,031</u>	<u>180,67,35,819</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	F	195,78,31,239	170,45,95,971
Less: Depreciation		76,77,80,449	66,37,63,149
Net Block		119,00,50,790	104,08,32,822
Capital Work-in-Progress at cost, including advances		6,45,20,948	7,67,02,597
		<u>125,45,71,738</u>	<u>111,75,35,419</u>
Investments	G	49,10,214	49,10,214
Current Assets, Loans & Advances			
Inventories	H	61,77,17,880	53,61,83,526
Sundry Debtors	I	64,78,91,525	50,91,06,313
Cash & Bank Balances	J	1,18,87,364	1,09,28,807
Other Current Assets	K	1,53,821	62,374
Loans & Advances	L	15,73,03,944	13,55,88,519
		<u>143,49,54,534</u>	<u>119,18,69,539</u>
Less: Current Liabilities and Provisions			
Current Liabilities	M	55,21,65,825	45,85,07,191
Provisions	N	7,15,73,630	4,90,72,162
Net Current Assets		<u>81,12,15,079</u>	<u>68,42,90,186</u>
TOTAL		<u>207,06,97,031</u>	<u>180,67,35,819</u>
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

For and on behalf of the Board

S. V. PINGE
ProprietorU. SHEKHAR
Chairman &
Managing DirectorS. R. SHANBHAG
Whole-Time DirectorG. RAMAKRISHNAN
Director
Home & Personal Care (Global)U. K. KAMAT
Executive Director - FinanceG. KAMATH
Head - Resource Mobilisation & Utilisation Process
& Company Secretary

Navi Mumbai

Date : June 10, 2008

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

	<u>SCHEDULE</u>	<u>31ST MARCH, 2008 Rupees</u>	<u>31ST MARCH, 2007 Rupees</u>
INCOME			
Gross Sales		411,13,73,028	349,30,29,006
Less : Excise Duty		29,02,80,142	26,59,38,926
Net Sales		382,10,92,886	322,70,90,080
Miscellaneous Income	O	5,11,22,320	1,03,60,246
TOTAL		387,22,15,206	323,74,50,326
EXPENDITURE			
Material Cost & Inventory Adjustments	P	270,66,03,674	220,84,10,565
Personnel Costs	Q	18,16,22,262	14,82,26,063
Other Manufacturing, Selling and Administrative Expenses	R	44,38,34,754	37,99,57,160
TOTAL		333,20,60,690	273,65,93,788
Profit Before Interest & Depreciation		54,01,54,516	50,08,56,538
Interest & Finance Charges	S	8,37,17,777	7,09,93,896
Profit Before Depreciation		45,64,36,739	42,98,62,642
Depreciation	F	12,00,38,997	11,05,74,008
Profit Before Tax		33,63,97,742	31,92,88,634
Provision for Taxation			
- Current Tax		6,41,00,000	7,10,00,000
- Deferred Tax		65,22,822	(54,22,088)
- Fringe Benefit Tax		18,00,000	13,00,000
Net Profit for the year		26,39,74,920	25,24,10,722
Add : Prior Year Tax Adjustments		-	51,60,716
Add : Profit brought forward from last year		40,27,82,935	22,02,25,420
Less : Transferred to General Reserve		2,64,00,000	2,53,00,000
Interim Dividend		-	1,28,45,532
Proposed Dividend		4,28,18,440	2,99,72,908
Dividend Distribution Tax		72,76,994	68,95,483
Balance carried to Balance Sheet		59,02,62,421	40,27,82,935
Earning per share - Basic & Diluted (Face Value of Rs. 10 each) (Refer Note No. 13 of Schedule "T")		30.82	29.47

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

For and on behalf of the Board

S. V. PINGE
Proprietor

U. SHEKHAR
*Chairman &
Managing Director*

S. R. SHANBHAG
Whole-Time Director

G. RAMAKRISHNAN
*Director
Home & Personal Care (Global)*

U. K. KAMAT
Executive Director - Finance

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

Navi Mumbai
Date : June 10, 2008

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

	31ST MARCH, 2008 Rupees	31ST MARCH, 2007 Rupees
A. CAPITAL :		
Authorised :		
1,50,00,000 Equity Shares of Rs.10/- each (Previous Year: 1,50,00,000 Equity Shares of Rs.10/- each)	15,00,00,000	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)	10,00,00,000	10,00,00,000
TOTAL	25,00,00,000	25,00,00,000
Issued, Subscribed & Paid-up :		
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)	8,56,36,880	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.)		
TOTAL	8,56,36,880	8,56,36,880
B. RESERVES & SURPLUS :		
Capital Reserve :		
Capital Subsidy received from the Government of Maharashtra under the Package Scheme of Incentives, balance as per last year	2,11,20,721	2,11,20,721
	2,11,20,721	2,11,20,721
Capital Redemption Reserve :		
Balance as per last year	8,04,43,000	8,04,43,000
	8,04,43,000	8,04,43,000
Securities Premium :		
Balance as per last year	3,13,52,390	3,13,52,390
	3,13,52,390	3,13,52,390
General Reserve :		
Balance as per last year	8,72,50,000	6,19,50,000
Less : Transitional effect on account of AS 15 (Revised 2005) - "Employee Benefits" (Refer Note No. 14 (i) of Schedule "T")	(31,99,119)	-
Add : Transfer during the year from Profit & Loss Account	2,64,00,000	2,53,00,000
	11,04,50,881	8,72,50,000
Profit & Loss Account :		
Balance of Profit as per Profit & Loss Account	59,02,62,421	40,27,82,935
TOTAL	83,36,29,413	62,29,49,046

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

	31ST MARCH, 2008 Rupees	31ST MARCH, 2007 Rupees
C. SECURED LOANS :		
Term Loans from Financial Institutions & Banks	45,87,94,254	12,71,24,718
Cash Credit and Working Capital Demand Loan from Banks	36,28,61,568	43,59,59,757
TOTAL	82,16,55,822	56,30,84,475
D. UNSECURED LOANS :		
Loan from a Financial Institution	-	20,00,00,000
Working Capital Demand Loan from a Bank	40,41,308	2,00,46,599
Fixed Deposits	8,18,95,000	7,47,85,000
Interest-free loan by way of Deferral of Sales-Tax from the Government of Maharashtra under the Package Schemes of Incentives.	8,02,62,099	8,19,69,885
Loan from Directors	86,58,646	82,21,597
TOTAL	17,48,57,053	38,50,23,081
E. DEFERRED TAX LIABILITY (NET) :		
Deferred Tax Liabilities :		
Fixed Assets & Depreciation	16,24,79,197	15,41,21,607
Deferred Tax Assets :		
Retirement Benefits *	(73,00,439)	(40,79,270)
Others	(2,60,895)	-
TOTAL	15,49,17,863	15,00,42,337

* Includes deferred tax of Rs.16,47,296/- on account of transitional effect as per AS-15 (Revised 2005) "Employee Benefits" . (Refer Note No. 14(i) Schedule "T")

F. FIXED ASSETS :

Particulars	Gross Block				Depreciation / Amortisation				Net Block	
	As at 31-03-07 Rupees	Additions During the year Rupees	Deletions During the year Rupees	As at 31-03-08 Rupees	As at 31-03-07 Rupees	Additions During the year Rupees	Deletions During the year Rupees	As at 31-03-08 Rupees	As at 31-03-07 Rupees	
1. Leasehold Land	8,58,95,026			8,58,95,026	96,11,029	9,01,726		1,05,12,755	7,53,82,271	7,62,83,997
2. Factory Building	33,23,17,375	24,77,073		33,47,94,448	7,31,21,233	1,11,41,220		8,42,62,453	25,05,31,995	25,91,96,142
3. Building - Others	4,27,11,653			4,27,11,653	84,47,878	6,96,200		91,44,078	3,35,67,575	3,42,63,775
4. Plant & Machinery	113,59,38,376	23,75,12,655	2,27,77,449	135,06,73,582	52,62,38,087	9,59,78,816	1,13,34,297	61,08,82,606	73,97,90,976	60,97,00,289
5. Furniture & Fixtures	2,07,56,909	1,71,40,004	73,90,202	3,05,06,711	70,82,645	13,89,851	23,36,869	61,35,627	2,43,71,084	1,36,74,264
6. Vehicles	1,87,46,921	71,14,335	15,57,486	2,43,03,770	88,82,439	17,70,579	10,24,996	96,28,022	1,46,75,748	98,64,482
7. Office Equipments	6,82,29,711	2,33,47,922	26,31,584	8,89,46,049	3,03,79,838	81,60,605	13,25,535	3,72,14,908	5,17,31,141	3,78,49,873
TOTAL	170,45,95,971	28,75,91,989	3,43,56,721	195,78,31,239	66,37,63,149	12,00,38,997	1,60,21,697	76,77,80,449	119,00,50,790	104,08,32,822
Previous Year	167,89,82,238	3,44,92,884	88,79,151	170,45,95,971	56,05,44,396	11,05,74,008	73,55,255	66,37,63,149	104,08,32,822	

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

	31ST MARCH, 2008 Rupees	31ST MARCH, 2007 Rupees
G. INVESTMENTS :		
(Non-trade, long term, valued at cost)		
Unquoted		
2,020 Equity Shares of Rs. 10/- each fully paid-up of The Saraswat Co-op. Bank Ltd. (Previous Year : 2,020 Equity Shares)	20,200	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)	1,50,000	1,50,000
National Savings Certificates	2,000	2,000
Kisan Vikas Patra	5,000	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)	46,17,814	46,17,814
Quoted		
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 10,15,200/- , Previous Year : Rs 7,48,080/-)	1,15,200	1,15,200
TOTAL	49,10,214	49,10,214
H. INVENTORIES :		
(Taken, valued and certified by a Director, including lying with third parties)		
Raw Materials	19,04,38,591	12,41,49,962
Packing Materials	2,87,83,422	3,16,14,666
Finished Goods	18,58,62,937	17,23,71,759
Work-in-Process	16,39,56,112	15,50,62,677
Consumables, Stores & Others	4,86,76,818	5,29,84,462
TOTAL	61,77,17,880	53,61,83,526
I. SUNDRY DEBTORS :		
(Unsecured, considered good)		
Debts outstanding over six months	92,48,046	52,37,830
Other Debts	63,86,43,479	50,38,68,483
TOTAL	64,78,91,525	50,91,06,313
J. CASH AND BANK BALANCES :		
Cash on hand	31,59,907	22,00,763
With Scheduled Banks :		
- In Current Account	54,53,739	51,11,565
- In Fixed Deposit Account	28,65,801	30,45,001
With Non-Scheduled Banks :		
- In Current Account with Krungthai Bank, Bangkok (Maximum amount outstanding at anytime during the year Rs. 10,38,742/-, Previous Year Rs. 7,98,872/-)	4,07,917	5,71,478
TOTAL	1,18,87,364	1,09,28,807

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

	31ST MARCH, 2008 Rupees	31ST MARCH, 2007 Rupees
K. OTHER CURRENT ASSETS :		
Interest accrued on Bank Deposits	1,53,821	62,374
TOTAL	1,53,821	62,374
L. LOANS AND ADVANCES :		
(Unsecured, considered good)		
Advances recoverable in cash or kind for value to be received	10,15,15,259	7,76,31,097
Tender, Security & Other Deposits	80,60,702	72,45,899
Balance with Excise Dept. in Current Account	3,47,70,498	3,07,26,540
Income Tax Paid (Net of Provisions)	1,29,57,485	1,99,84,983
TOTAL	15,73,03,944	13,55,88,519
M. CURRENT LIABILITIES :		
Sundry Creditors and Expenses Payable *	49,84,77,739	42,55,54,209
Creditors for Capital Expenditure	99,24,450	27,18,069
Advances from Customers	1,67,83,988	98,94,508
Unclaimed Dividend **	9,59,211	8,42,622
Security & Other Deposits	8,65,328	4,04,534
Other Liabilities	2,00,30,573	1,64,46,199
Interest accrued but not due	51,24,536	26,47,050
TOTAL	55,21,65,825	45,85,07,191
* Includes Rs.26,30,557/- due to Micro and Small Enterprises to the extent such parties have been identified from available information. (Previous Year Rs. 9,37,357/-)		
** Refer Note No. 11 of Schedule "T"		
N. PROVISIONS :		
Proposed Dividend	4,28,18,440	2,99,72,908
Provision for Dividend Distribution Tax	72,76,994	50,93,896
Provision for Retirement Benefits	2,14,78,196	1,40,05,358
TOTAL	7,15,73,630	4,90,72,162
O. MISCELLANEOUS INCOME :		
Dividend Income	39,000	60,600
Interest on Bank Deposits	8,20,939	2,88,847
Sale of Packing Material, etc.	90,45,239	85,90,494
Interest - Others	2,09,292	1,64,464
Foreign Exchange Differences (Net)	3,86,61,836	-
Other Income	23,46,014	12,55,841
TOTAL	5,11,22,320	1,03,60,246

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

	31ST MARCH, 2008 Rupees	31ST MARCH, 2007 Rupees
P. MATERIAL COST & INVENTORY ADJUSTMENTS :		
Raw Materials Consumed	249,43,76,358	205,20,73,796
Packing Materials Consumed	21,26,05,637	20,66,09,903
Processing Charges	2,20,06,292	1,43,43,765
	<u>272,89,88,287</u>	<u>227,30,27,464</u>
(Increase)/Decrease in Stock of Finished Goods & Work-in-process :		
Add: Opening Stock		
Finished Goods	17,23,71,759	9,16,06,235
Work-in-Process	15,50,62,677	17,12,11,302
Less: Closing Stock		
Finished Goods	18,58,62,937	17,23,71,759
Work-in-Process	16,39,56,112	15,50,62,677
Net (Increase)/Decrease	<u>(2,23,84,613)</u>	<u>(6,46,16,899)</u>
TOTAL	<u>270,66,03,674</u>	<u>220,84,10,565</u>
Q. PERSONNEL COSTS :		
Salaries, Wages & Allowances	14,89,03,184	12,07,77,813
Contribution to Provident Fund and Other Funds	1,16,08,362	1,04,57,026
Workmen & Staff Welfare Expenses	2,11,10,716	1,69,91,224
TOTAL	<u>18,16,22,262</u>	<u>14,82,26,063</u>

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

	31ST MARCH, 2008 Rupees	31ST MARCH, 2007 Rupees
R. OTHER MANUFACTURING, SELLING AND ADMINISTRATIVE EXPENSES :		
Process Chemicals Consumed	51,27,495	38,79,249
Power & Fuel	12,41,29,393	11,55,67,841
Repairs & Maintenance:		
- Plant & Machinery	5,33,39,676	3,41,22,403
- Building	1,62,25,656	26,91,728
- Others	67,72,505	1,09,30,452
Rent	20,30,122	17,82,763
Insurance	53,75,410	83,65,672
Rates & Taxes :		
- Excise Duty	28,84,101	20,03,711
- Others	57,79,049	55,51,261
Travelling & Conveyance	2,98,97,960	2,71,53,721
Printing & Stationery	45,60,969	41,18,287
Freight & Forwarding	5,29,68,984	3,72,01,826
Subscription, Books & Periodicals	25,04,394	23,07,823
Postage & Telephones	92,02,560	80,86,845
Legal & Professional Fees	2,90,70,715	1,82,45,299
Advertising Expenses	85,971	1,08,174
Exhibitions & Seminar Expenses	42,68,671	46,40,480
Discount & Commission	2,35,71,060	1,91,12,517
Donations	4,14,000	4,00,000
Directors Sitting Fees	3,35,000	65,000
Bank Charges	1,18,18,543	138,96,428
Security Charges	62,75,873	64,02,676
Water Charges	73,50,555	66,03,515
Royalty	-	2,37,38,176
Loss on Sale/Discard of assets	1,75,77,565	99,968
Miscellaneous Expenses	2,22,68,527	2,28,81,345
TOTAL	44,38,34,754	37,99,57,160
S. INTEREST & FINANCE CHARGES :		
Interest on Term Loans	2,85,38,329	3,34,82,151
Interest on Working Capital	3,99,17,477	2,74,28,133
Interest - Others	1,51,99,971	95,73,284
Other Financial Charges, etc.	40,94,331	6,02,568
Net Foreign Exchange Fluctuation (Gain)/Loss	(40,32,331)	(92,240)
TOTAL	8,37,17,777	7,09,93,896

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 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 recognised in the Profit and Loss Account. 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) **Employee Benefits:**

Gratuity and Leave Encashment which are defined benefits, are provided on the basis of actuarial valuation at the balance sheet date carried out by an independent actuary.

Contributions payable to the Government Provident Fund which is a defined contribution Plan, is charged to Profit and Loss Account during the year.

(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) **Taxation:**

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.45,87,94,254** /- 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.36,28,61,568**/- are secured by a first pari passu charge on inventories and book debts and a second charge on the specified assets of the Company.

3. Contingent Liabilities & Claims not provided for :

	2007-2008	2006-2007
	<u>Rupees</u>	<u>Rupees</u>
(a) Counter Guarantees given to Banks	1,59,15,500	1,81,78,750
(b) Claims against the Company not acknowledged as debts but disputed in appeals		
— Excise Duty	1,17,516	1,17,516
— Income Tax	2,84,92,856	Nil

4. Estimated amount of contracts remaining to be executed on Capital Account:
(Net of Advances)

3,25,78,810	5,29,03,332
--------------------	-------------

5. Research & Development:

Expenses	2007-2008	2006-2007
	<u>Rupees</u>	<u>Rupees</u>
a) Salaries & Allowances	83,08,316	44,43,064
b) R&D Materials & Other Expenses	1,06,55,377	70,05,221
c) Professional Fees	23,80,000	11,00,000
d) Capital Expenditure	34,09,737	3,86,800
TOTAL	2,47,53,430	1,29,35,085

6. Auditor's Remuneration:

Expenses	2007-2008	2006-2007
	<u>Rupees</u>	<u>Rupees</u>
a) Audit Fees	8,00,000	6,00,000
b) Tax Audit / VAT Audit fees	3,00,000	2,50,000
c) Other Services	4,40,309	3,54,943
d) Out of Pocket Expenses	1,01,687	1,07,366
TOTAL	16,41,996	13,12,309

7. Managerial Remuneration:

Expenses	2007-2008 Rupees	2006-2007 Rupees
Remuneration paid to Managing Director and Wholetime Directors:		
a) Salary & Allowances	78,21,000	86,52,600
b) Commission	2,20,00,000	1,35,00,000
c) Perquisites	1,35,933	8,50,586
d) Contribution to Provident Fund & Other Funds	6,25,680	6,89,040
Sub - Total	3,05,82,613	2,36,92,226
Remuneration to the Non-Executive Directors:		
Commission	14,25,000	Nil
Sub - Total	14,25,000	Nil
TOTAL	3,20,07,613	2,36,92,226

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

Particulars	2007-2008		2006-2007	
	Rupees	Rupees	Rupees	Rupees
Profit before Taxation as per Profit & Loss Account		33,63,97,742		31,92,88,634
Add: Depreciation as per accounts	12,00,38,997		11,05,74,008	
Managerial Remuneration	3,20,07,613		2,36,92,226	
Loss on Sale of Assets as per accounts	1,75,77,565	16,96,24,175	99,968	13,43,66,202
TOTAL		50,60,21,917		45,36,54,836
Less: Depreciation calculated under Section 350 of the Companies Act, 1956	12,00,38,997		11,05,74,008	
Loss on Sale of Assets as per Section 349 of Companies Act, 1956.	1,75,77,565	13,76,16,562	99,968	11,06,73,976
Net Profit in terms of Section 198 of Companies Act, 1956.		36,84,05,355		34,29,80,860
Maximum Remuneration payable to managing director & wholetime directors – 10% of Net Profit as computed above as per Companies Act, 1956.		3,68,40,536		3,42,98,086
Maximum Commission payable to non-executive directors – 1% of Net Profit as computed above as per Companies Act, 1956.		36,84,054		34,29,809
Managerial Remuneration [including commission] paid/payable to wholetime directors subject to a ceiling of 10% of Net Profits as calculated above but restricted to [as determined by the Board of Directors]		3,05,82,613		2,36,92,226
Commission to non- executive directors subject to a ceiling of 1% of Net Profits as calculated above but restricted to [as determined by the Board of Directors]		14,25,000		Nil

8. A. Capacity & Production:

Particulars	Unit	2007-2008		2006-2007	
		Installed Capacity per annum	Actual Production	Installed Capacity per annum	Actual Production
1. Organic Surface Active Agents / Preparations.	MT	70,500	#58,582	62,700	#51,907
2. Fatty Alkanolamides / Fatty Acid Esters.	MT	6,600	##2,322	6,600	##3,360
3. Specialty Chemicals.	MT	5,500	3,563	5,500	3,061

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) 2295 MT (Previous year 2553 MT) used for captive consumption

(ii) 947 MT (Previous year 692 MT) processed from third parties.

Includes 203 MT used for captive consumption. (Previous Year: 288 MT)

B. Net Sales Turnover:

Particulars	2007-2008		2006-2007	
	Qty. M.T.	Rupees	Qty. M.T.	Rupees
1. Organic Surface Active Agents / Preparations.	56,148	325,84,64,927	48,123	273,40,13,939
2. Fatty Alkanolamides / Fatty Acid Esters.	2,255	17,93,73,835	2,855	19,95,85,159
3. Specialty Chemicals.	#3,577	38,32,54,124	2,900	29,34,90,982
TOTAL		382,10,92,886		322,70,90,080

Includes 11 MT (Previous year : Nil) in respect of traded goods.

C. Finished Goods:

Particulars	2007-2008				2006-2007			
	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.	2796	13,77,16,553	2935	15,37,11,541	1565	8,32,88,001	2796	13,77,16,553
2. Fatty Alkanolamides/ Fatty Acid Esters.	282	1,51,46,803	146	1,16,48,951	65	37,27,153	282	1,51,46,803
3. Specialty Chemicals.	210	1,95,08,403	207	2,05,02,445	49	45,91,081	210	1,95,08,403
TOTAL		17,23,71,759		18,58,62,937		9,16,06,235		17,23,71,759

D. Raw Materials Consumed:

Particulars	2007-2008		2006-2007	
	Qty. M.T.	Rupees	Qty. M.T.	Rupees
1. Fatty Alcohols, Fatty Acids, Oils & Ethylene Oxide	41,531	179,46,22,058	41,645	155,95,06,966
2. Acids, Alkalies & Amines	21,907	39,65,08,477	15,588	29,74,83,386
3. Others		30,32,45,823		19,50,83,444
TOTAL		249,43,76,358		205,20,73,796

E. Purchase of Goods:

Particulars	2007-2008		2006-2007	
	Qty. M.T.	Rupees	Qty. M.T.	Rupees
Speciality Chemicals	11	16,08,961	Nil	Nil

F. Value of Raw Materials, Stores & Spares Consumed:

(i) Value of Raw Materials Consumed:

Particulars	2007-2008		2006-2007	
	Rupees	% of Total Consumption	Rupees	% of Total Consumption
Imported	91,22,27,018	36.57	54,11,39,877	26.37
Indigenous	158,21,49,340	63.43	151,09,33,919	73.63
TOTAL	249,43,76,358	100.00	205,20,73,796	100.00

(ii) Value of Stores & Spares Consumed:

Particulars	2007-2008		2006-2007	
	Rupees	% of Total Consumption	Rupees	% of Total Consumption
Imported	2,07,206	0.49	10,45,127	4.18
Indigenous	4,21,27,082	99.51	2,39,75,151	95.82
TOTAL	4,23,34,288	100.00	2,50,20,278	100.00

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

Particulars	2007-2008 Rupees	2006-2007 Rupees
1. Raw Materials & Packing Materials	94,90,19,979	51,24,40,477
2. Capital Goods	3,54,31,909	1,01,34,320
3. Spares & Others	25,63,573	12,39,028

H. Expenditure in Foreign Currencies:

Particulars	2007-2008 Rupees	2006-2007 Rupees
Foreign Travel	53,56,318	57,37,445
Commission Exports	2,11,69,856	1,67,19,871
Professional Fees	69,53,734	24,64,139
Books, Periodicals, Exhibition, Subscription & Membership, Training, Seminar.	24,08,582	33,62,622
Interest & Processing Charges on Borrowings	34,86,322	69,93,444
Others	2,05,16,762	1,05,49,287

I. Earnings in Foreign Currencies:

Particulars	2007-2008 Rupees	2006-2007 Rupees
Export of goods on F.O.B. basis	210,90,53,664	164,83,19,895.

9. Customs & Excise Duty:

The Company has made provision for custom duty **Rs. Nil** (Previous Year Rs 4,38,716/-) and excise duty **Rs.1,44,00,699/-** (Previous Year Rs. 1,28,60,025/-) 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. Micro and Small Scale Business Entities:

There are no Micro and Small Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2008. This Information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the company.

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. Derivative Instruments:

The Company uses forward exchange contracts to hedge against its foreign currency exposures relating to the underlying transactions and firm commitments. The Company does not enter into any derivative instruments for trading or speculative purposes.

The forward exchange contracts outstanding as at 31st March, 2008 are as under:

Currency	Buy/Sell	Cross Currency	Amount in INR Rupees	Amount in Foreign Currency
USD	Buy	INR	14,19,77,500	35,00,000
USD	Sell	INR	25,79,81,000	65,00,000
EUR	Sell	INR	88,78,000	1,50,000

The Year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

Particulars	31 st March 2008	31 st March 2007
Assets		
In Euro (Equivalent approximate in Rs.)	2,52,001 1,59,71,792	1,12,851 65,28,442
In USD (Equivalent approximate in Rs.)	1,04,29,453 41,83,77,482	65,03,533 28,27,89,894
Liability		
In USD (Equivalent approximate in Rs.)	1,81,58,034 72,84,09,548	35,19,877 15,30,53,046

13. Earning Per Share:

Particulars	31 st March 2008 Rupees	31 st March 2007 Rupees
A. Profit after tax as per Profit & Loss Account	26,39,74,920	25,24,10,722
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	30.82	29.47

14. Disclosure as per Accounting Standard 15 (Revised) – Employee Benefits:

- i. The Company has, with effect from 1st April, 2007, adopted Accounting Standard 15 (Revised 2005) on Employee Benefits' issued by the Institute of Chartered Accountants of India. Consequently, the Company has recorded the difference between the transitional liability as per this Standard and the liability that would have been recognised at the same date as per the pre-revised AS-15, amounting to Rs. 31,99,119/- (Net of Deferred Tax Credit of Rs. 16,47,296/-), as a deduction from General Reserve as at 1st April, 2007.
- ii. The Company has recognised Rs. 73,74,129/-, being Company's contribution to Government Provident Fund, as an expense and included in Personnel Costs [Schedule-Q] in the Profit and Loss Account.

iii. Defined Benefit Plans

General Description of Defined Benefit Plans

Gratuity Plan

Gratuity is payable to all eligible employees of the Company on superannuation, death and resignation, in terms of the provisions of the Payment of Gratuity Act, 1972 and employment contracts entered into by the Company.

Leave Plan

Eligible employees can carry forward and encash leave on superannuation, death and resignation as per Company's rules.

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Particulars	31st March, 2008	
	Gratuity Rupees	Leave Salary Rupees
Actuarial Assumptions for the year		
Discount Rate	8.25%	8.25%
Expected Rate of Return on Plan Assets	9.00%	0.00%
Proportion of Employees opting for early retirement	0.00%	0.00%
Average Salary Escalation Rate	5.00%	5.00%
Changes in the Present Value of Obligation		
Present Value of the Obligation as on 1st April, 2007	1,82,90,620	94,03,420
Interest Cost	15,08,976	7,75,782
Past Service Cost	-	-
Current Service Cost	19,88,518	12,83,252
Curtailment Cost / (Credit)	-	-
Settlement Cost / (Credit)	-	-
Benefits paid	(5,15,376)	(4,94,712)
Actuarial (gain) / loss on obligations	35,60,389	23,60,751
Present Value of the Obligation as on 31st March, 2008	2,48,33,127	1,33,28,493
Changes in Fair Value of Plan Assets:		
Present Value of Plan Assets as at 1st April 2007	1,31,33,417	-
Expected Return on Plan Assets	14,00,719	-
Actuarial Gain / (Loss) on Plan Assets	(90,466)	-
Contributions made by the Company	27,55,130	-
Benefits Paid	(5,15,376)	-
Fair Value of Plan Assets at 31st March, 2008	1,66,83,424	-
Actual Return on Plan Assets		
Expected Return on Plan Assets	14,00,719	-
Actuarial gain / (loss) on Plan Assets	(90,466)	-
Actual Return on Plan Assets	13,10,253	-
Reconciliation of the Present Value of Defined Benefit Obligation & the Fair Value of Assets		
Present Value of the Funded obligation as at 31st March, 2008	2,48,33,127	-
Fair Value of Plan Assets as at 31st March, 2008	1,66,83,424	-
Present Value of Unfunded Obligation as at 31st March, 2008	-	1,33,28,493
Net Liability recognised in the Balance Sheet	81,49,703	1,33,28,493
Expenses Recognised in the Profit & Loss Account		
Current Service Cost	19,88,518	12,83,252
Past Service Cost	-	-
Interest Cost	15,08,976	7,75,782
Expected Return on Plan Assets	(14,00,719)	-
Curtailment Cost / (Credit)	-	-
Settlement Cost / (Credit)	-	-
Net Actuarial (gain) / loss to be recognized	36,50,855	23,60,751
Total Expenses recognised in the Profit and Loss Account	57,47,630	44,19,785
Percentage of each category of Plan Assets to the total		
Fair Value of Plan Assets as at 31st March, 2008		
Bank Deposits (Special Deposit Scheme 1975)	-	-
Debt Instruments	-	-
Administered by Life Insurance Corporation of India	100%	-
Others	-	-
The actual return on Plan Assets:		
Actual Returns on Plan Assets administered by LIC of India	13,10,253	-

Note: This being first year of implementation of AS-15 (Revised 2005) previous year figures have not been given.

15. Segment Reporting (Accounting Standard 17):

a. Primary Segment : Business Segment

The Company is engaged in the manufacture of speciality chemicals which is considered as the only business segment.

b. Secondary Segment : Geographical Segment

Segment Revenues	31 st March 2008 Rupees	31 st March 2007 Rupees
A. Revenues within India	172,41,47,012	154,54,21,271
B. Revenues outside India	209,69,45,874	168,16,68,809
Total	382,10,92,886	322,70,90,080

Note: All the assets of the Company are located within India.

16. Related Parties 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:

Key Management Personnel [Whole-time Directors]	Relative of Key Management Personnel with whom Company had transactions
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. Vandana Shanbhag, Wife Mrs. Anuradha Prabhu, Sister Ms. Sneha Shanbhag, Daughter Mr. Pranav Shanbhag, Son Mr. Shreekant Shanbhag, Brother
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
Mr. U. K. Kamat	-

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	2007-2008 Rupees	2006-2007 Rupees
Royalty Paid	-	2,37,38,176
Commission	1,73,61,375	1,22,40,731
Interest Paid on Loans/Fixed Deposits	24,47,991	16,05,620
Rent Received	-	9,000

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

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

18. 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
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 State Code

1	1
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 Balance Sheet

3	1
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0	3
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0	8
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 Date Month Year

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

Public Issue	Equity Issue						
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L
N	I	L					
N	I	L					
Bonus Issue	Private Placement						
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L
N	I	L					
N	I	L					

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

Total Liabilities	Total Assets																				
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>2</td><td>0</td><td>7</td><td>0</td><td>6</td><td>9</td><td>7</td><td>0</td><td>3</td><td>1</td></tr></table>	2	0	7	0	6	9	7	0	3	1	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>2</td><td>0</td><td>7</td><td>0</td><td>6</td><td>9</td><td>7</td><td>0</td><td>3</td><td>1</td></tr></table>	2	0	7	0	6	9	7	0	3	1
2	0	7	0	6	9	7	0	3	1												
2	0	7	0	6	9	7	0	3	1												

Sources of Funds

 Paid-up Capital

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

 Secured Loans

8	2	1	6	5	5	8	2	2
---	---	---	---	---	---	---	---	---

 Deferred Tax Liabilities (Net)

1	5	4	9	1	7	8	6	3
---	---	---	---	---	---	---	---	---

Application of Funds

 Net Fixed Assets

1	2	5	4	5	7	1	7	3	8
---	---	---	---	---	---	---	---	---	---

 Net Current Assets

8	1	1	2	1	5	0	7	9
---	---	---	---	---	---	---	---	---

 Accumulated Losses

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

Reserves & Surplus

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

 Unsecured Loans

1	7	4	8	5	7	0	5	3
---	---	---	---	---	---	---	---	---

Investments

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

Misc. Expenditure

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

IV. Performance of Company (Amount in Rupees)

 Turnover

3	8	2	1	0	9	2	8	8	6
---	---	---	---	---	---	---	---	---	---

 (+) Profit / (-) Loss Before Tax

+	3	3	6	3	9	7	7	4	2
---	---	---	---	---	---	---	---	---	---

 Earning per share in Rupees

3	0	.	8	2
---	---	---	---	---

 Total Expenditure

3	4	8	4	6	9	5	1	4	4
---	---	---	---	---	---	---	---	---	---

 (+) Profit / (-) Loss After Tax

+	2	6	3	9	7	4	9	2	0
---	---	---	---	---	---	---	---	---	---

 Dividend Rate %

5	0	%
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CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

Particulars	2007-08		2006-07	
	Amount Rupees	Amount Rupees	Amount Rupees	Amount Rupees
A Cash Flow from Operating Activities				
Profit before Tax, Extraordinary items		33,63,97,742		31,92,88,634
Adjustments for:				
Add :				
Depreciation	12,00,38,997		11,05,74,008	
Interest paid	8,37,17,777		7,09,93,896	
Loss on Sale of Assets	1,75,77,565	22,13,34,339	99,968	18,16,67,872
Less :				
Dividend Income	(39,000)		(60,600)	
Interest on Bank Deposits	(8,20,939)		(2,88,847)	
Interest Others	(2,09,292)	(10,69,231)	(1,64,464)	(5,13,911)
Operating Profit before Working Capital Changes		55,66,62,850		50,04,42,595
Working Capital Changes				
Inventories	(8,15,34,354)		(3,32,45,746)	
Trade & Other Receivables	(13,87,85,212)		(12,79,35,837)	
Other Advances	(2,87,42,923)		(4,97,68,846)	
Increase/(Decrease) in Current Liabilities	9,36,58,634		13,76,83,745	
Other Liabilities	26,26,423	(15,27,77,432)	(11,51,008)	(7,44,17,692)
Cash generated from Operations		40,38,85,418		42,60,24,903
Income Taxes Paid		(5,88,72,502)		(8,73,31,004)
Net Cash Flow from Operating Activities (a)		34,50,12,916		33,86,93,899
B Cash Flow from Investing Activities				
Capital Expenditure	(27,54,10,340)		(10,81,07,162)	
Sale of Fixed Assets	7,57,459		14,23,928	
Dividend Income	39,000		60,600	
Interest on Bank Deposits	8,20,939		2,88,847	
Interest Others	2,09,292		1,64,464	
Net Cash used in Investing Activities (b)	(27,35,83,650)		(10,61,69,323)	
C Cash Flow from Financing Activities				
Net Secured Borrowings	25,85,71,347		(15,48,62,629)	
Sales Tax Deferrals / MIDC Incentives	(17,07,786)		24,98,413	
Fixed Deposits	71,10,000		(44,39,000)	
Receipt/(Repayment) of Loans from Directors	4,37,049		(42,32,897)	
Loan from Others	(21,60,05,291)		2,00,46,599	
Interest & Finance Charges	(8,37,17,777)		(7,09,93,896)	
Equity Dividend & Dividend Tax thereof	(3,50,66,804)		(2,44,11,864)	
Net Cash used in Financing Activities (c)	(7,03,79,262)		(23,63,95,274)	
Net Increase/(Decrease) in Cash and Cash Equivalents (a) + (b) + (c)		10,50,004		(38,70,698)
Cash and Cash Equivalents - Opening Balance		1,09,91,181		1,48,61,879
Cash and Cash Equivalents - Closing Balance		1,20,41,185		1,09,91,181
Net Increase/(Decrease) in Cash and Cash Equivalents		10,50,004		(38,70,698)

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. R. SHANBHAG

Whole-Time Director

G. RAMAKRISHNAN

*Director
Home & Personal Care (Global)*

U. K. KAMAT

Executive Director - Finance

G. KAMATH

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

Navi Mumbai

Date : June 10, 2008

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 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 of the Holding Company and not dealt within the books of Account of the Holding Company	Profits/(Losses) so far 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 of the Holding Company and not dealt within the books of Account of the Holding Company
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Galaxy Chemicals Inc.	31/03/2008	12,000 shares of one cent per share i.e. US \$ 120	100.00 %	US \$ 29,816	Nil	US \$ (1,393)	Nil

For and on behalf of the Board

U. Shekhar
Chairman & Managing Director

G. Ramakrishnan
Director
Home & Personal Care (Global)

S. R. Shanbhag
Whole-Time Director

U.K.Kamat
Executive Director - Finance

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

Navi Mumbai
June 10, 2008



GALAXY CHEMICALS INC., USA DIRECTORS' REPORT

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

Your Directors have pleasure in presenting to you the Fourth Annual Report of your Company together with the Audited Statement of Accounts for the financial year ended 31st March, 2008.

REVIEW OF OPERATIONS

Your Company has created a "Galaxy Brand" in the Home & Personal Care ingredients space. It is now poised to assist the parent company viz. Galaxy Surfactants Limited (herein after referred to as Galaxy-India) to develop and market specialty and innovative products to move up the value chain.

During the year Galaxy-India relocated its Principal Scientist to US to strengthen its technical connect with its strategic global customers and pursue new business opportunities, the benefit of which will accrue in the ensuing years.

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.,

Navi Mumbai
May 9, 2008.

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 31st March, 2008 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 24th, 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 31st March, 2008.

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 31st March, 2008; 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 9, 2008



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

**OF EVEN DATE ON THE ACCOUNTS OF GALAXY CHEMICALS INC. FOR THE YEAR ENDED
31ST MARCH, 2008.**

[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,

Navi Mumbai
May 9, 2008

S. V. PINGE
Proprietor
Membership No. 44276

GALAXY CHEMICALS INC., USA
BALANCE SHEET AS AT 31ST MARCH, 2008

	<u>SCHEDULE</u>	<u>31ST MARCH, 2008 US \$</u>	<u>31ST MARCH, 2007 US \$</u>
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	A	120	120
Reserves & Surplus	B	1,28,323	99,900
Total		<u>1,28,443</u>	<u>1,00,020</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	C	24,029	21,839
Less: Depreciation		15,580	10,925
Net Block		<u>8,449</u>	<u>10,914</u>
Current Assets, Loans & Advances			
Sundry Debtors		61,751	61,187
Cash & Bank Balances	D	55,590	18,527
Loans & Advances	E	7,434	8,079
		<u>1,24,775</u>	<u>87,793</u>
Less: Current Liabilities & Provisions			
Current Liabilities	F	205	80
Provision for Tax		4,576	-
Net Current Assets		<u>1,19,994</u>	<u>87,713</u>
Balance of Loss as per Profit & Loss Account		-	1,393
Total		<u>1,28,443</u>	<u>1,00,020</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 9, 2008



GALAXY CHEMICALS INC., USA
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

	<u>SCHEDULE</u>	<u>31ST MARCH, 2008 US \$</u>	<u>31ST MARCH, 2007 US \$</u>
INCOME			
Commission Received		4,35,000	2,70,000
Total		<u>4,35,000</u>	<u>2,70,000</u>
EXPENDITURE			
Personnel Cost		2,54,577	1,65,539
Administrative & Selling Expenses	G	1,39,251	1,11,291
Total		<u>3,93,828</u>	<u>2,76,830</u>
Profit/(Loss) Before Depreciation		41,172	(6,830)
Depreciation	C	4,655	4,368
Profit/(Loss) Before Tax		36,517	(11,198)
Income Tax		6,700	1,845
Net Profit/(Loss) for the year		29,817	(13,043)
Add : Profit brought forward from last year		(1,393)	11,650
Balance carried to Balance Sheet		<u>28,424</u>	<u>(1,393)</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 9, 2008

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

	<u>31ST MARCH,</u> 2008 <u>US \$</u>	<u>31ST MARCH,</u> 2007 <u>US \$</u>
A. SHARE CAPITAL:		
12,000 Shares of US\$ 0.01 each fully paid up	120	120
[Previous Year: 12,000 Shares of US\$ 0.01 each fully paid up]		
Total	<u>120</u>	<u>120</u>
B. RESERVE & SURPLUS:		
Securities Premium:		
Balance as per last year	99,900	99,900
	<u>99,900</u>	<u>99,900</u>
Profit & Loss Account:		
Balance of Profit as per Profit & Loss Account	28,423	-
	<u>28,423</u>	<u>-</u>
Total	<u>1,28,323</u>	<u>99,900</u>

C. FIXED ASSETS :

Particulars	Gross Block			Depreciation			Net Block	
	As at 31-03-07 US \$	Additions During the year US \$	As at 31-03-08 US \$	As at 31-03-07 US \$	Additions During the year US \$	As at 31-03-08 US \$	As at 31-03-08 US \$	As at 31-03-07 US \$
Tangible Assets								
Motor Car	18,480	0	18,480	9,529	3,696	13,225	5,255	8,951
Computer	2,360	1,872	4,232	905	707	1,612	2,620	1,455
Office Equipments	999	318	1,317	491	252	743	574	508
Total	21,839	2,190	24,029	10,925	4,655	15,580	8,449	10,914
Previous Year	21,839	0	21,839	6,557	4,368	10,925	10,914	-



GALAXY CHEMICALS INC., USA

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

	31ST MARCH, 2008 US \$	31ST MARCH, 2007 US \$
D. CASH & BANK BALANCES:		
Cash at Bank	55,590	18,527
Total	55,590	18,527
E. LOANS & ADVANCES:		
Prepaid Expenses	2,694	939
Security Deposits	4,740	7,140
Total	7,434	8,079
F. CURRENT LIABILITIES:		
Outstanding Expenses	205	80
Total	205	80
G. ADMINISTRATIVE & SELLING EXPENSES:		
Rent	23,800	16,135
Insurance	11,654	9,187
Travelling & Conveyance	45,547	17,492
Printing & Stationery	1,247	883
Subscriptions, Books & Periodicals	38	315
Postage & Telephones	14,465	11,502
Legal & Professional Fees	41,046	51,400
Advertisement & Exhibition Expenses	-	1,690
Bank Charges	296	808
Office Expenses	1,107	1,538
Miscellaneous Expenses	51	341
Total	1,39,251	1,11,291

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%
Computers	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

For and on behalf of the Board

S.V. PINGE

Proprietor

U. SHEKHAR

Chairman

G. RAMAKRISHNAN

Director

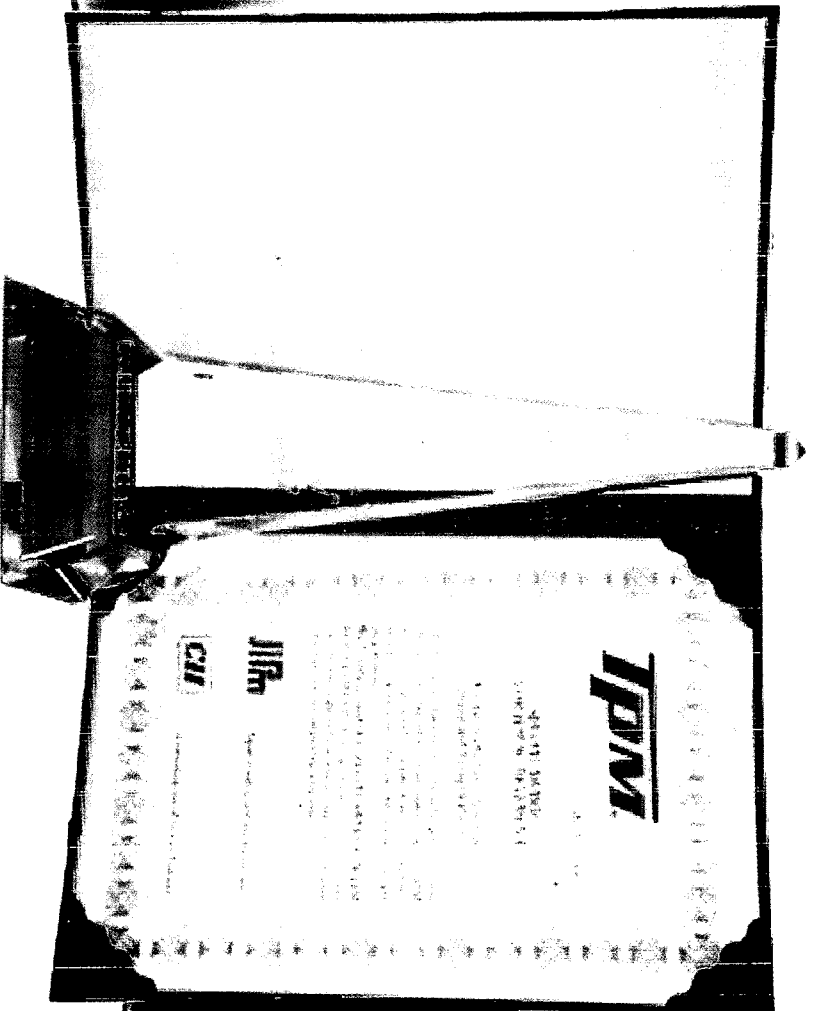
Navi Mumbai

Date : May 9, 2008



Congratulations!

We are all winners!



Every one of us has helped make Galaxy a winner of the 2007 Special TPM Award!

Special award level is considered one of the most important milestones. This marks a change in the company's thinking from 'TPM is for shop floor' to 'TPM is for everyone'.

Galaxy Surfactants Ltd.



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