



IOL CHEMICALS AND PHARMACEUTICALS LIMITED

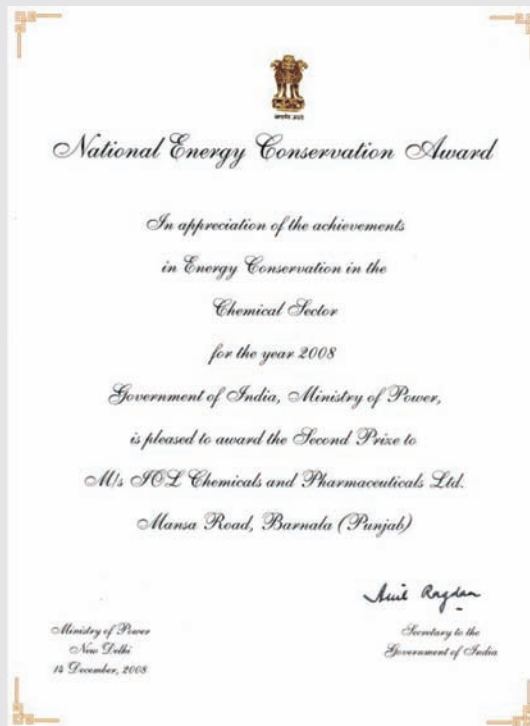


**22ND ANNUAL REPORT 2008-2009**



Mr. R K Thukral, Executive Director, IOLCP received “ National Energy Conservation Award” from Mr. Sushil Kumar Shinde, Hon'ble Minister of Power, Government of India at a special felicitation ceremony in New Delhi.

Awarded with  
**“National Energy Conservation Award”**  
 Consecutively for the Year 2005, 2006, 2007 & 2008  
 By Ministry of Power, Government of India



**Board of Directors**Mr Varinder Gupta - *Chairman & Managing Director*

Dr M A Zahir

Mr Chandra Mohan

Dr (Mrs) H K Bal

Mr Parminder Singh Cheema - *IDBI Nominee*

Mr Yogesh Goel

Mr Ravi Pratap Singh

Mrs Dimple Gupta

Mr R K Thukral - *Executive Director***Vice President & Company Secretary**

Mr Krishan Singla

**Statutory Auditors**M/s S C Vasudeva & Co.  
Chartered Accountants,  
New Delhi**Cost Auditors**M/s Ramanath Iyer & Co.  
Cost Accountants,  
New Delhi**Bankers**Punjab National Bank  
State Bank of India  
Allahabad Bank  
IDBI Bank Limited**Registrar and Share Transfer Agents**Alankit Assignments Limited  
(Unit: IOL Chemicals and Pharmaceuticals Limited)  
2E/21, Jhandewalan Extension,  
New Delhi- 110055.  
Phone : +91-11-23541234, 42541234  
Fax : +91-11-42541967  
E-mail : rta@alankit.com**Board's Committees****Audit and Risk Management Committee**Dr M A Zahir - *Chairman*

Dr (Mrs) H K Bal

Mr Parminder Singh Cheema

**Investors' Grievance Committee**Dr (Mrs) H K Bal - *Chairman*

Dr M A Zahir

Mrs Dimple Gupta

**Remuneration Committee**Dr M A Zahir - *Chairman*

Dr (Mrs) H K Bal

Mr Parminder Singh Cheema

**Registered Office :**Trident Complex, Raikot Road,  
Barnala - 148101 (Punjab)

Phone: +91-1679 - 244701-07

Fax : +91-1679 - 244708

E-mail : contact@iolcp.com

**Head Office :**

85, Industrial Area, 'A'

Ludhiana - 141003

Phone: +91-161 - 2225531-35

Fax : +91-161 - 2608784

E-mail : contact@iolcp.com

**Works :**Village Fatehgarh Chhana,  
Mansa Road, Barnala - 148101

Phone: +91-1679 - 285285-86

Fax : +91-1679 - 285292

E-mail : contact@iolcp.com

Notice .....	2	Directors' Report .....	4
Management Discussion and Analysis Report .....	8	Corporate Governance Report .....	14
Auditors' Report .....	25	Balance Sheet .....	28
Profit & Loss Account .....	29	Schedules .....	30
Cash Flow Statement .....	46		

Please visit our website : [www.iolcp.com](http://www.iolcp.com)



## NOTICE

NOTICE is hereby given that the Twenty-second Annual General Meeting of the members of **IOL Chemicals and Pharmaceuticals Limited** will be held on Saturday, September 12, 2009 at 10.00 AM at the Registered Office of the Company; Trident Complex, Raikot Road, Barnala, Punjab to transact the following business:

### Ordinary Business:

1. To receive, consider and adopt the audited Balance Sheet of the Company as at March 31, 2009 and the Profit & Loss Account for the financial year ended on that date together with the Reports of the Auditors and Board of Directors thereon.
2. To appoint a director in place of Dr M A Zahir, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Dr (Mrs) H K Bal, who retires by rotation and being eligible, offers herself for re-appointment.
4. To appoint Auditors and to fix their remuneration.  
M/s S C Vasudeva & Co., Chartered Accountants, the retiring Auditors, being eligible, offer themselves for re-appointment.

### Special Business:

#### 5. Appointment of Director

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

“**RESOLVED** that Mr Yogesh Goel, who was appointed as an Additional Director of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956 and holds office upto the date of this Annual General Meeting be and is hereby appointed as a director of the Company, liable to retire by rotation under the Articles of Association of the Company.”

By order of the Board  
For IOL Chemicals and Pharmaceuticals Limited

Sd/-

Place : Barnala [Krishan Singla]  
Dated: July 31, 2009 Vice President & Company Secretary

### Registered Office:

Trident Complex, Raikot Road,  
Barnala-148101 (Punjab)

### NOTES:

- i) The explanatory statement, pursuant to Section 173 of the Companies Act, 1956, in respect of special business is annexed hereto.
- ii) **A member entitled to attend and vote is entitled to appoint a proxy to attend and vote on poll instead of himself/ herself and the proxy need not be a member. Proxy form in order to be effective must be received by the Company not less than 48 hours before the**

**meeting. The blank proxy form is enclosed.**

- iii) All activities for transfer of shares, dematerialization of shares, change of address etc. are carried out by the Company through its Registrar and Share Transfer Agents (RTA). Members are requested to make their requests to RTA at the following address:  
**Alankit Assignments Limited  
2E/21, Jhandewalan Extention,  
New Delhi-110 055**
- iv) The Register of Members and share transfer books will remain closed from **Tuesday, September 8, 2009 to Saturday, September 12, 2009** (both days inclusive).
- v) Members who are holding shares in identical order of names under more than one folio are requested to send the relative share certificates to the RTA for consolidation of the entire holding under one folio.
- vi) Documents referred to in the Notice are open for inspection at the Registered Office of the Company on all working days, except holidays, between 11.00 AM to 1.00 PM.
- vii) Members desiring any information on Accounts or other items of Agenda are requested to write to the Company at its Registered Office at least ten days before the date of the Annual General Meeting so as enable the Management to keep the information ready.
- viii) Members are requested to:
  - a) Intimate their Permanent Account Number (PAN).
  - b) Send nomination form (format available on Company's website), if not sent earlier.
  - c) Notify the change of address with pin code, to ensure quick delivery of letters and quote their folio/ client ID & DP ID in all correspondence.
  - d) Bring their copies of Annual Report at the meeting.
  - e) Complete the enclosed attendance slip and deliver the same at the entrance of the meeting hall.
  - f) Intimate their **e-mail Id** for quick correspondence with them at **investor@iolcp.com** and/ or register themselves at Company's website **www.iolcp.com**

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

### Item No 5

Mr Yogesh Goel, aged 54 years, was appointed as an Additional Director on the Board w.e.f. October 31, 2008 in terms of Article 133 of the Articles of Association of the Company. Pursuant to Section 260 of the Companies Act, 1956 he holds office upto the date of ensuing Annual General Meeting. The Company has received a notice in writing from a member along with required deposit under Section 257 of the Companies Act, 1956 proposing his name for the appointment as a director of the Company.

Mr Yogesh Goel has a graduate degree in chemical engineering from Panjab University, Chandigarh. He is currently working with the Punjab State Industrial Development Corporation Limited (PSIDC) and has 33 years of experience in the identification, promotion and implementation of chemical units in joint/assisted

sectors. He is also Chairman of Punjab Pollution Control Board. The Board has considered that the Company would be immensely benefited by his mature advice and recommends the resolution for your approval.

None of the directors except Mr Yogesh Goel, being the proposed appointee, is interested or concerned in the resolution.

**Information pursuant to Clause 49 of the Listing Agreement regarding the directors seeking re-appointment / appointment at the Annual General Meeting.**

Name of the Director	Dr M A Zahir	Dr (Mrs) H K Bal	Mr Yogesh Goel
Date of Birth	December 18,1942	June 12,1939	May 9, 1955
Date of Appointment	July 30,1998	March 27, 2002	October 31, 2008
Expertise in specific functional area	Financial and business management education and training	Financial and business management education and training	Chemical Engineering and Project Management
Total experience	42 years	46 years	33 years
Present profession	Chairman of Syntec Business School (SBS), Ludhiana	Advising the various companies on business and financial matters.	Chairman of Punjab Pollution Control Board
Qualification	M.Com., Ph.D	Doctorate in Statistics and Diploma in Management.	Graduate degree in Chemical Engineering
Directorships in other companies	1. Hero Cycles Ltd 2. Highway Industries Ltd 3. Ralson (India) Ltd 4. Sohrab Spinning Mills Ltd 5. Rockman Industries Ltd 6. Hero Honda Finlease Ltd 7. Sunshine Corporation Ltd 8. Lotus Integrated Texpark Ltd 9. Trident Cottons Ltd 10. Majestic Autos Ltd 11. Praneel Innovations Ltd	1. Nahar Spinning Mills Ltd 2. Nahar Poly Films Ltd 3. Nahar Industrial Enterprises Ltd 4. Shreyans Industries Ltd 5. Oswal Woolen Mills Ltd 6. Sportking India Ltd 7. Nahar Capital and Financial Services Ltd	1. Nahar Industrial Infrastructure Corporation Ltd 2. Healthcaps India Ltd
Chairmanship of Board Committees	<b>Audit Committee</b> 1. Rockman Industries Ltd 2. IOL Chemicals and Pharmaceuticals Ltd	<b>Shareholders'/Investors' Grievance Committee</b> 1. Nahar Spinning Mills Ltd 2. Nahar Poly Films Ltd 3. IOL Chemicals and Pharmaceuticals Ltd.	Nil
Membership of Board Committees	<b>Audit Committee</b> 1. Hero Cycles Ltd 2. Lotus Integrated Texpark Ltd 3. Praneel Innovations Ltd <b>Shareholders'/Investors' Grievance Committee</b> 1. Praneel Innovations Ltd 2. IOL Chemicals and Pharmaceuticals Ltd	<b>Audit Committee</b> 1. Shreyans Industries Ltd 2. Sportking India Ltd 3. Nahar Industrial Enterprises Ltd 4. IOL Chemicals and Pharmaceuticals Ltd	<b>Audit Committee</b> 1. Healthcaps India Ltd
No. of shares held	300	Nil	Nil
Relationship with other directors	Not related to any other director	Not related to any other director	Not related to any other director

**Registered Office:**  
Trident Complex, Raikot Road,  
Barnala-148101 (Punjab)

By order of the Board  
For IOL Chemicals and Pharmaceuticals Limited

Place : Barnala  
Dated: July 31, 2009

Sd/-  
[Krishan Singla]  
Vice President & Company Secretary

## DIRECTORS' REPORT

### Dear Members

Your Directors are pleased to present the Twenty-second Annual Report and Audited Accounts for the financial year ended March 31, 2009.

### 1. Financial Results

The financial results of the Company for the financial year under report are given below: (Rs in lacs)

Particulars	Year ended	Year ended
	March 31, 2009	March 31, 2008
Net sales and other income	<b>30,519.36</b>	31,900.38
Profit before interest & depreciation	<b>3,601.88</b>	3,675.40
Interest	<b>1,491.95</b>	1,295.85
Profit before depreciation	<b>2,109.93</b>	2,379.55
Depreciation	<b>1,000.16</b>	742.89
Profit before tax	<b>1,109.77</b>	1,636.66
Provision for tax (including deferred tax)	<b>(159.65)</b>	400.33
Profit after tax	<b>1,269.42</b>	1,236.33
Balance carried to the Balance Sheet	<b>1,269.42</b>	1,236.33

### 2. Performance Review

There was slight decline in the overall performance and profitability of the Company in comparison to the previous year's performance because of global recession and temporarily slow down of production due to stream line the expansion and modification of the plants. The net sales and other income of the Company has decreased by 4.33% to Rs 30,519.36 lacs from Rs 31,900.38 lacs. The profit before interest & depreciation has slightly declined by 2% to Rs 3,601.88 lacs during the year under review against Rs 3,675.40 lacs during the previous year. The net profit after tax has increased by 3% to Rs 1,269.42 lacs during the year under review from Rs 1,236.33 lacs during the previous year.

### 3. Contribution to National Exchequer

The Company has contributed a sum of Rs 3,227.88 lacs as compared to Rs 4,235.14 lacs in the previous year to the National Exchequer by way of central excise duty in addition to contribution through other direct and indirect taxes.

### 4. Dividend

The Board of Directors has not recommended any dividend keeping in view the ongoing expansion, modification and other future investment possibilities and decided to plough back profit.

### 5. Allotment of Equity Share

During the year under review, the paid up equity share capital of the Company has been increased from Rs 13,38,00,000 to Rs 18,15,00,000 due to allotment of 47,70,000 equity shares of Rs 10 each on the conversion of warrants in the following trenches:

- 18,85,500 equity shares at a premium of Rs 32 per share on September 6, 2008.
- 13,30,500 equity shares at a premium of Rs 32 per share and 11,00,000 equity shares at a premium of Rs 65 per share on October 30, 2008.
- 4,54,000 equity shares at a premium of Rs 32 per share on February 20, 2009.

In addition, the Company has allotted 30,66,664 equity shares at a premium of Rs 65 per share on April 21, 2009 on the conversion of warrants/debentures resulted in increase in the paid up equity share capital of the Company from Rs 18,15,00,000 to Rs 21,21,66,640.

### 6. Expansion cum Backward and Forward integration project

The scope of Expansion cum Backward and Forward integration

project of Rs. 216 crores, undertaken by the Company has been revised looking at the present business circumstances with a additional project cost of Rs 40 crores, the aggregating project cost of Rs 256 crores. The project consists of expanding the capacity of acetic acid plant from 50,000 TPA to 75,000 TPA, ethyl acetate plant from 33,000 TPA to 36,000 TPA, acetic anhydride plant from 12,000 TPA to 18,000 TPA, ibuprofen plant from 3,600 TPA to 6,000 TPA and cogeneration power from 4 MW to 17 MW.

In addition to this, as backward and forward integration project, the Company has undertaken the setting up of manufacturing facilities of value added products i.e. acetyl chloride with capacity of 5,200 TPA and mono chloro-acetic acid with a capacity of 7,200 TPA and iso butyl benzene with a capacity of 6,600 TPA. While these products will be used as major raw materials for the manufacture of ibuprofen; acetic acid & acetic anhydride which will be used as raw material for the manufacture of acetyl chloride & mono chloro-acetic acid. The Company is hopeful of completing the project by December, 2009.

However, the Company has commenced the manufacturing operations of mono-chloro acetic acid and acetyl chloride during the month of May, 2009 as partial completion of said project.

### 7. Recognitions and Awards

The following recognitions and awards have been received by the Company during the year under review:

- Accreditation certificate of foreign drug manufacturer given by Ministry of Health, Labour and Welfare, Yoichi Masuzoe, Japan.
- Registration certificate of Halal Committee, Jamiat Ulama-E-Maharashtra.
- Certificate of Pharmaceutical Product (COPP) from the Director of Health & Family Welfare, Punjab conforming to the WHO guidelines, which certifies the Company's ibuprofen as an API fit to be exported to other countries from India.
- Drug Master File (DMF) acknowledgment for ibuprofen from the Foods and Drugs Administration (FDA), USA.
- European Drug Master File (EDMF) acknowledgment for ibuprofen from the European Directorate for Quality of Medicine & Healthcare (EDQM).
- Star Export House recognition from the Ministry of Commerce and Industry, India.
- First prize in the Punjab State Safety Awards, 2008 for the largest reduction in the frequency of accidents in the chemical sector by the Punjab Industrial Safety Council and Chief Inspector of Factories, Punjab.
- Second prize in the National Energy Conservation Awards, 2008 from the Government of India, in the chemical sector. (The Company has received this award consecutively fourth year)

### 8. Directors

The Company has appointed Mr Ravi Pratap Singh as Director, liable to retire by rotation w.e.f. July 31, 2008. Mr R K Thukral was appointed as Executive Director of the Company w.e.f. July 31, 2008 for a period of five years. Mr Yogesh Goel was appointed as Additional Director w.e.f. October 31, 2008 and holds office upto the date of ensuing Annual General Meeting. The Company has received a notice under Section 257 of Companies Act, 1956 for the appointment of Mr Yogesh Goel as Director of the Company.

During the year, IDBI Bank Ltd has nominated Mr Parminder Singh Cheema in place of Mrs Lalita Kapur as Director on the Board of the Company w.e.f. March 2, 2009. The Board

accepted the withdrawal of her nomination from the Board and places on record their appreciation for the services rendered by her during her tenure as director of the Company.

According to Article 146 of the Articles of Association of the Company, one third of the directors for the time being are liable to retire by rotation, shall retire from the office. Accordingly Dr M A Zahir and Dr (Mrs) H K Bal, are liable to retire by rotation in the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The Board has recommended the re-election of these directors to the members.

### 9. Corporate Governance

The Company have in place a system of Corporate Governance. A separate report on Corporate Governance alongwith Auditors' certificate regarding compliance with the Clause 49 of the Listing Agreement is annexed to this Annual Report.

### 10. Management Discussion and Analysis Report

The Management Discussion and Analysis Report is given separately in this Annual Report.

### 11. Safety, Health and Environment

Safety is the Company's top priority with regard to employment and the Company is encouraging safety measures at all levels of operations especially at the floor level. Regular training programmers are being conducted to bring in awareness about the importance of safety at the work place. Bi-monthly medical camps are also being organized for the welfare of the members in addition to regular medical facilities provided to them.

The Company has been conferred First prize in the Punjab State Safety Awards - 2008 for the largest reduction in the frequency of accidents in the chemical sector from the Punjab Industrial Safety Council and Chief Inspector of Factories, Punjab.

### 12. No Default

The Company has not made default in the payment of any statutory dues to government, interest and/or repayment of loans to any of the financial institutions / banks during the year under review.

### 13. Fixed Deposits

The Company has not accepted any fixed deposits from the public/ members during the year under review.

### 14. Investor Services

The Company is committed to provide the best services to the shareholders/ investors. M/s Alankit Assignments Limited, New Delhi is working as Registrar and Share Transfer Agents (RTA) of the Company for transfer, dematerialization of shares and other investor related services. No correspondence/enquiry from any shareholder/investor is pending with the Company for reply.

### 15. Listing of Shares

The equity shares of the Company continued to be listed and traded on the Bombay Stock Exchange Limited (BSE). The script code of the Company at BSE is 524164. The Company has made all compliances of the Listing Agreement including payment of annual listing fee.

### 16. Audit and Risk Management Committee

Audit and Risk Management Committee of the Company consists of the following three independent directors:

1. Dr M A Zahir (Chairman)
2. Dr (Mrs) H K Bal
3. Mr Parminder Singh Cheema

### 17. Statutory Auditors' Report

The Auditors' Report on the accounts is self-explanatory and no comments are required.

### 18. Statutory Auditors

M/s S C Vasudeva and Co., Chartered Accountants, Auditors of the Company, retire at the conclusion of ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Auditors' Report on the accounts is self-explanatory and no comments are required.

### 19. Cost Auditors

The Central Government had directed that audit be carried out of the cost accounts maintained by the Company in respect of chemicals by a qualified cost accountant. The Board subject to the approval of the Central Government has appointed M/s Ramanath Iyer & Co., Cost Accountants, New Delhi as Cost Auditors, for the financial year 2009-10 and application has been submitted to the Central Government for its approval.

### 20. Industrial Relations

The industrial relations remained cordial and harmonious throughout the year.

### 21. Energy Conservation / Technology Absorption and Foreign Exchange Earnings and Outgo

Energy conservation continues to be an area of major emphasis in the Company. A statement giving details of conservation of energy, technology absorption, foreign exchange earnings and outgo, in accordance with Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed hereto as Annexure I and forms part of the report.

The Company has received the "National Award for Energy Conservation" (2nd prize) in the chemical sector for the year 2008 from the Ministry of Power, Government of India, consecutively for the fourth year.

### 22. Information on personnel

The statement showing the particulars of the employees as required by the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, is not given as no employee was in receipt of remuneration equal to or exceeding Rs 24 lacs per annum, if employed for the full year or Rs 2 lacs per month if employed for the part of the year.

### 23. Directors' Responsibility Statement

Directors' Responsibility Statement pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956 is enclosed as Annexure II and forms part of the report.

### 24. Acknowledgement

We are pleased to place on record our sincere gratitude and appreciation for the assistance and co-operation received from the Union Government, the Punjab Government, the Financial Institutions and the Company's Bankers, Members, Customers and Business Constituents.

We also place on record our sincere appreciation for the contribution made by the employees at all levels. Our consistent growth is made possible by their devout, sincere and unstinted services.

For and on behalf of the Board

Sd/-

Place : Chandigarh  
Dated : July 31, 2009

(Varinder Gupta)  
Chairman and Managing Director

**ANNEXURE I TO THE DIRECTORS' REPORT**

Information as per Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended March 31, 2009.

**I CONSERVATION OF ENERGY****1.1 Energy conservation measures taken:**

- Replacement of conventional shell & tube heat exchangers with latest technology heat exchangers for better efficiencies.
- Replacement of jacketed reactors with limpet coil reactors for better heat transfer coefficient.
- Replacement of quenching system from brine based to cooling tower based, by installing graphite falling film absorber cum reactor in iso butyl aceto phenone stage and graphite sulfuric acid dilution system in final ibuprofen stage for energy saving.
- Installation of distillation column for ethylene dichloride recovery (solvent) in place of multiple continuous stirred tank reactor for ensuring continuous operation and energy saving.
- Replacement of batch type high vacuum distillation with agitated thin film evaporator in aldehyde stage.
- Installation of air chillers for removing the moisture in process air in place of using steam by distillation process.
- Removing the exothermic reaction heat by creating siphon instead of using forced circulation by pumps for power saving.
- Shifting of high head condensers to the lower head for saving power.
- Installations of variable frequency drives on vacuum pumps, blowers to save power.
- Installations of natural air draft ventilators instead of electrical exhaust fans to save power.

**1.2 Additional investments and proposals, if any, being implemented for reduction of consumption of energy.**

- To change the acetaldehyde to acetic acid oxidation reaction conditions, from high pressure to low pressure to save power.
- Shifting the ethyl acetate plant distillation section to multi pressure distillation for creating the cascading in process streams to save energy by efficient heat transfer through them.
- On-line removal of impurities and dead catalyst system development for continuous plant operation and to save the down time, shut-down & start up losses.
- Modification in acetic anhydride plant ketene furnace to increase the yield and save fuel consumption.
- Shifting the acetic anhydride plant distillation section to multi pressure distillation for saving of steam and power by using the acetic acid recovery column vapors as heating media for final distillation columns of acetic anhydride.
- Installation of process water recycling system to reduce the water consumption.
- Proper automatization of plants by increasing the parameters in distributed control system and Installation of vent gas analyzers for efficient operation.

**1.3 Impact of measures taken at (1.1) and (1.2) above for reduction of energy consumption and consequent impact on the cost of production of goods:**

While, these measures have been resulted in saving of power, steam and fuel consumption but the consumption per unit of production is higher from the previous year due to lower capacity utilization.

**1.4 Total energy consumption and consumption per unit of production as per Form-A of the annexure in respect of industries specified in the schedule thereto.**

Particulars	Unit	Year ended March 31, 2009	Year ended March 31, 2008
<b>A. Power and Fuel Consumption</b>			
<b>1. Electricity</b>			
<b>a) Purchased Units</b>			
Total Amount	KWH in lacs	51.30	70.25
Rate/Unit	Rs in lacs	255.73	311.45
	Rs/KWH	4.99	4.43
<b>b) Own Generation</b>			
<b>i) Through Diesel Generator</b>			
Units	KWH in lacs	2.94	2.39
Units per liter of HSD	KWH	3.58	3.55
Cost/Unit	Rs/KWH	7.44	7.76
<b>ii) Through Turbine Generator</b>			
Units	KWH in lacs	272.35	301.08
Units per MT of Steam	KWH	114	116
Cost/Unit	Rs/KWH	3.26	2.85
	MT	45,752	21,259
	KL	1,164.16	1,742.79
		NIL	NIL
<b>2. Coal</b>			
<b>3. Furnace Oil</b>			
<b>4. Others/Internal Generation</b>			
<b>B. Consumption per unit of production</b>			
Acetic Acid	KWH/MT	320	309
Ethyl Acetate	KWH/MT	65	73
Acetic Anhydride	KWH/MT	293	258
Ibuprofen	KWH/MT	3,748	3,465



**II TECHNOLOGY ABSORPTION**

Efforts made in technology absorption are as per Form B of the annexure

**FORM-B**

Disclosure of particulars with respect to technology absorption

**1. Research & Development (R & D):****a) Specific areas in which R & D is carried out by the Company:**

- a) Validation of process for new products.
- b) Development of material of construction compatibility study.
- c) Reducing the norms of ibuprofen by providing various trial run in R&D and pilot plant at different operating conditions.
- d) Replaced batch distillation into continuous distillation process in pharma section.
- e) Prepared new products like rabiperzole in R&D scale, kilo lab and trying at pilot plant level.
- f) Designing of new equipment for expansion and quality improvement of acetic acid, acetic anhydride, ibuprofen, acetyl chloride, mono chloro acetic acid and iso butyl benzene.
- g) Identifying & synthesising the impurities in chemical and pharmaceutical section.
- h) Analysis of material balance, energy balance, mass transfer & heat transfer networks for new plants.
- i) Utilization of any waste heat recovered from process in new projects.

**b) Benefits derived as a result of the above R & D :**

- a) Poly aluminum chloride layer from ibuprofen plant become salable.
- b) Recovery of by products in chemical plant to minimize effluent generation and made it marketable.
- c) Improvement in solvent recovery by providing new process conditions and equipments.
- d) Provided process parameters and simulation for acetyl chloride / mono chloro acetic acid plant.
- e) Reduction in solvents and catalysts in drugs section by providing new processes.

**c) Future plan of action:**

Working on minimizing the deviation that is between practical norms and theoretical norms by trials runs in the pilot plant, development of new products like acetonitrile, dexibuprofen, pentaprazole, omiprazole, lansoprazole etc. and designing for providing simulation parameters for new plants for optimizing product quality.

**2. Technology Absorption, Adaptation & Innovation: Nil****3. Foreign Exchange Earnings & Outgo: (Rs. in Lacs)**

Used	3,529.86
Earned	3,688.82

**ANNEXURE II TO THE DIRECTORS' REPORT****Directors' Responsibility Statement**

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, it is hereby confirmed that:

1. in preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanations relating to material departures;
2. the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
3. the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. the directors had prepared the annual accounts on a going concern basis.

For and on behalf of the Board

Place : Chandigarh  
Dated : July 31, 2009

Sd/-  
(Varinder Gupta)  
Chairman and Managing Director

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**
**World Economy**

World GDP, also known as world gross domestic product or GWP - gross world product, calculated on a nominal basis, was estimated at \$65.61 trillion in 2007 by the CIA World Fact book. While the US is the largest economy, growth in world GDP of 5.2% was led by China (11.4%), India (9.2%) and Russia (8.1%). However, since 2008 there has been signs of downward trend in the economies of the world over, owing to the prevailing financial crisis.

Now, the world economy is stabilizing as it is being helped by unprecedented macroeconomic and financial support. However recession is not over and the recovery is likely to be moderate. IMF estimation has forecasted the global economy to go down further by 1.4% during the year 2009 and to expand by 2.5% in 2010. The Indian Economy is expected to reverse the global trend and is likely to grow by 5.8% and 6.75% in 2009 and 2010 respectively.

**Indian Economy**

The fallout of the global financial crisis on the Indian economy has been palpable in the industry and trade sectors and has also permeated the services sector. While some segments, especially the export-oriented industries suffered during the second half of the year, the Indian economy has withstood the adverse global economic situation and posted a growth rate of 6.7 per cent in 2008-09.

**World Chemical Industry**

Chemicals are used to make a wide variety of consumer goods, as well as thousands inputs to agriculture, manufacturing,

construction, and service industries. The chemical industry itself consumes 26 percent of its own output. Major industrial customers include rubber and plastic products, textiles, apparel, petroleum refining, pulp and paper, and primary metals. Chemicals are nearly a \$3 trillion global enterprise, and the chemical companies of the US and EU are the world's largest producers.

The chemical industry has shown rapid growth for more than fifty years. The fastest growing areas have been in the manufacture of synthetic organic polymers used as plastics, fibres and elastomers. Historically and presently also the chemical industry has been concentrated in three areas of the world, Western Europe, North America and Japan (the Triad). The European Community remains the largest producer area followed by the USA and Japan.

The traditional dominance chemical production by the Triad countries is being challenged by changes in feedstock availability and price, labour cost, energy cost, differential rates of economic growth and environmental pressures. Instrumental in the changing structure of the global chemical industry has been the growth in China, India, Korea, the Middle East, South East Asia, Nigeria, Trinidad, Thailand, Brazil, Venezuela, and Indonesia.

**Indian Industrial Sector and Chemical Industry**

Though the growth of the industrial sector slow down in the first half of 2007-08, the growth during the year remained at high as 8.5%. The industrial sector witnessed a sharp slowdown during 2008-09 as a consequences of successive shock, the most important being the knock-on effects of the global financial crisis. The year 2008-09 thus closed with the industrial growth at only 2.4% as per the Index of Industrial Production (IIP).

**Industrial growth by industry groups**

Two digit level groups	Weight	2007-08	2008-09
Overall Manufacturing	100	9	2.3
Beverages, tobacco	3	12	15.6
Machinery & equipment	12.1	10.4	8.7
Basic metals and alloys	9.4	12.1	4
Textile products	3.2	3.7	3.7
<b>Chemicals &amp; products</b>	<b>17.6</b>	<b>10.6</b>	<b>2.9</b>
Transport equipments	5	2.9	2.2
Paper & paper products	3.3	2.7	1.3
Non-Met mineral products	5.5	5.7	1
Miscellaneous manufacture	3.2	19.8	0.5
Wool, silk & man-made textiles	2.8	4.8	-0.3
Rubber, plastic, petroleum	7.2	8.9	-1.5
Cotton textiles	7	4.3	-2.8
Metal products	3.5	-5.6	-4
Leather products	1.4	11.7	-7
Food products	11.4	7	-9.6
Jute textiles	0.7	33.1	-10
Wood products	3.4	40.5	-10.3

Figures in per cent based on the IIP - (Base: 1993-94 = 100)

During 2008-09, chemicals & chemical products grew by 2.9 per cent in 2008-09 as compared to 10.6 per cent in 2007-08 as per IIP data due to slowdown impact.

Major chemicals undergo several processing stages to be converted into downstream chemicals. These are used by agriculture sector, industry and direct use by the consumers. Agriculture and industrial usages of chemicals include auxiliary materials such as adhesives, unprocessed plastics, dyes and fertilizers, while direct usage by the consumers include pharmaceuticals, cosmetics, household products, paints, etc.

**Production of major chemicals (in 000' MT)**

Years	Alkali Chemicals	Other inorganic Chemicals	Organic Chemicals	Pesticides & (Tech.)	Dyes & dyes	Total major chemicals
2005-06	5,475	544	1,545	82	30	7,676
2006-07	5,269	602	1,545	85	33	7,534
2007-08	5,443	609	1,546	83	44	7,725
2008-09	5,430	504	1,212	74	31	7,251

Source: Department of Chemicals & Petrochemicals

The petrochemical industry mainly comprises of synthetic fibres, polymers, elastomers, synthetic detergents intermediates and performance plastics. The main sources of feedstock and fuel for petrochemicals are natural gas and naphtha. Petrochemical products permeate the entire spectrum of daily use items and cover almost every sphere of life, ranging from clothing, housing, construction, furniture, automobiles, household items, toys, agriculture, horticulture, irrigation and packaging to medical appliances etc. There are three naphtha-based and three gas-based cracker complexes in the country with a combined ethylene annual capacity of 2.9 million MT. Besides, there are four aromatic complexes also with a combined Xylenes capacity of 2.9 million MT

**Production of major petrochemicals (in 000' MT)**

Years	Synthetic fibers	Polymers	Elastomers	Synthetic detergent Intermediate	Performance plastics	Total major petro-chemicals
2005-06	1,906	4,768	110	555	127	7,466
2006-07	2,250	5,183	101	556	133	8,223
2007-08	2,524	5,304	105	585	157	8,675
2008-09	2,343	5,060	96	552	141	8,192

Source : Department of Chemicals & Petrochemicals

**Imports and Exports of Chemical Industry**

The share of imports of chemicals and petrochemicals in the total national imports ebbed from 9.0 per cent to 6.7 per cent during the period 2002-03 to 2008-09 (upto February) whereas the share of exports declined marginally from 11.2 per cent to 10.0 per cent during the corresponding period.

**Exports and imports—Chemicals and Petrochemicals (Rs. crore)**

Items	2006-07	2007-08	2008-09 (upto Feb)
Exports:			
(a) Chemicals	39,351	43,482	64,796
(b) Petrochemicals	21,801	22,199	12,338
(c) Sub-Total (a+b)	61,152	65,681	77,134
Imports:			
(a) Chemicals	47,914	54,422	66,169
(b) Petrochemicals	16,339	18,677	15,895
(c) Sub-Total (a+b)	64,253	73,099	82,064

Source: Department of Chemicals & Petrochemicals

**FDI in Chemical Industry**

Despite 2008-09 being marked by a global recession and liquidity crunch, the Indian economy registered an 11% rise in FDI with sectors like chemicals and telecommunication recording robust growth of 227% and 103% during fiscal 2008-09, according to a report by the Associated Chamber of Commerce and Industry of India (Assocham).

Assocham's latest 'Annual FDI Report' has revealed that FDI in the chemicals sector (other than fertilizers) registered the maximum growth of 227% during April 2008 to March 2009, as compared to 11.71% during the last fiscal. The sector attracted US\$749-mn in FDI during the year, as compared to US\$229-mn in the previous year.

Sector-wise FDI inflow	[Value in US\$mn]		
	Sector	2007-08	2008-09
Chemicals (other than fertilizers)	229	749	227.07
Telecommunications	1,261	2,558	102.85
Automobile industries	675	1,152	70.67
Housing & real estate	2,179	2,801	28.55
Computer software & hardware	1,410	1,677	18.94
Construction activities	1,743	2,028	16.35

Source: Assocham

### Pharmaceutical Industry

The Indian pharma industry has grown from a mere Rs. 1,500 crore turnover in 1980 to over Rs 78,000 crore in 2008 with about 10 per cent of share volume of global production.

High growth has been achieved through; the creation of required infrastructure, capacity building in complex manufacturing technologies of active ingredients APIs and formulations, entering into drug discovery through original and contract research and manufacturing (CRAM) and clinical trials and product specific strategies of acquisition and mergers. The domestic sector had a production turnover of Rs 47,241 crore from about 10,000 small-scale and 300 large and medium manufacturing units in 2008.

### Value of production of bulk drugs and formulations (Rs in Crores)

Year	Bulk Drugs	Growth %	Formulation	Growth %
2006-07	12125	14	45626	20
2007-08	13822	14	54751	20
2008-09	15204*	10.0*	66796*	22.0*

Source: IDMA Data Bank; \*Estimated

Supply and demand in the bulk ibuprofen market is well balanced, with global demand growing at GNP levels. Its growth is attributed to the popularity of ibuprofen, on both a safety and cost basis, among an aging population that increasingly requires arthritis therapy and pain control medicines. Consumption in Europe and the US has an annual growth rate of 2 to 4 percent.

### Imports and Exports of Pharmaceutical Industry

Pharmaceutical exports have grown from Rs 6,256 crore in 1998-99 to Rs 30,759 crore in 2008. Exports of pharmaceuticals have been consistently outstripping the value of corresponding imports in the period 1996-97 up to 2007-08. Exports registered a growth rate of 25 per cent in 2007-08 over 2006-07. The sector attracted FDI amounting to US\$ 1,401.60 million during 2000-01 to September 2008, of which, US\$ 125.30 million occurred during April to September 2008.

### Export - Drugs, Pharmaceuticals & Fine Chemicals

(Rs in crores)

Year	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Export	12,826	15,213	17,857	22,116	24,942	30,759

(Source: Directorate General of Commercial intelligence and Statistics – DGCIS, Kolkata)

Investments in pharmaceutical sector are now expanding into areas of innovative R&D focused outsourcing opportunities like clinical trials, data management services, pharmaceutical informatics, lead discovery and optimization, pharmaco-kinetics and pharmaco-dynamics and pre-clinical drug discovery in combinatorial chemistry, chiral chemistry, new drug delivery systems, bioinformatics and phyto-medicines. The Indian pharma industry is taking leaping strides in innovative drug discovery with clinical trials underway in 34 molecules. Consequently, the Indian drug discovery market has grown from US\$ 470 million in 2005 to US\$ 800 million in 2007.

### 2. Opportunities and Threats

#### Opportunities

1. Large domestic market, with good potential for growth.
2. Technically trained manpower.
3. Backward & Forward Integration of Products.

#### Threats:

1. Cost of power & cost of finance in India is very high as compared to developed countries.
2. Infrastructure facilities are not of world class resulting in delays and slow movement of goods.

### 3. Business Segment Performance

The Company deals in two main segments i.e. chemicals and pharmaceuticals. While under chemical division, the Company manufactures bulk chemicals i.e. acetic acid and specialty chemicals i.e. ethyl acetate & acetic anhydride and under pharmaceuticals division, the Company manufactures active pharmaceutical ingredient i.e. ibuprofen. The segment wise performance is given below:

#### Acetic Acid

The production of acetic acid has decreased to 36,608 MT from 50,851 MT during the previous year showing a decrease of 28% and its sale has decreased to 7,773 MT from 16,845 MT during the previous year. It Includes 31,642 MT (previous year 34,073 MT) of acetic acid which has been used for captive consumption, out of which 18,223 MT (previous year 19,737 MT) has been consumed for ethyl acetate process and 13,419 MT (previous year 14,336 MT) in acetic anhydride process.

#### Ethyl Acetate

The production of ethyl acetate has decreased to 25,808 MT from 28,074 MT showing a decrease of 8% and its sale decreased to 25,629 MT from 28,262 MT during the previous year.

#### Acetic Anhydride

The production of acetic anhydride has decreased to 10,730 MT from 11,413 MT during the previous year and its sale has decreased to 10,678 MT from 11,651 MT during the previous year.

#### Ibuprofen

The production of the ibuprofen has decreased to 1,783 MT from 2,331 MT showing a decrease of 23% and its sale has decreased to 1,940 MT from 2,134 MT during the previous year.

#### 4. Future prospectus

The current global and domestic scenario presents Indian industry with major challenges. At the same time there are a number of positive factors that make the industrial outlook in the medium term bright for India both in its own right as also in relation to most other countries such as:

1. Size of the Indian market and the unmet demand for industrial products provide reasonable hope that demand would not be a constraining factor by itself.
2. The large pool of scientific manpower and research labs, especially in the public domain, provide a potential for innovation that could create such products which can open up new market segments.
3. The inherent strength of Indian industrial corporate sector with strong entrepreneurial abilities provides a hope that they will continue to display the dynamism by adjusting to the current changes.
4. The large investment plans made for infrastructure during the Eleventh Five Year Plan and beyond are expected to ameliorate the infrastructural constraints that bind the industry.
5. The continuing inflow of foreign direct investment reinforces the positive view that the Indian market has the capacity to absorb investment and generate a return based on productive growth.

There are positive signs that the Indian industry may have weathered the most severe part of the shock and is now moving towards a recovery. Some of the positive signs are the recent upturn in the generation of electricity, the improvement of cement dispatches and rise in the off take of bank credit. The sustained inflow of FDI also points to foreign investor confidence in the Indian economy, especially the Indian industry. The decline in crude prices, input prices and interest rates should help the industry to improve their profit margins that have been under pressure.

At this juncture, when the prospects for industrial output and prices in most industrial economies seem to be grim, the configuration of prices, output and market size makes the Indian industry one of the few attractive destinations for investment.

The industry group 'Basic Chemicals and Chemical Products' have shown the growth of 4.6% during the month of May 2009 against the General Index which is 2.7% higher as compared to the level in the month of May 2008.

#### 5. Risk Management

Our Company believes that there is no activity without risk but at the same time one has to tread very carefully and cautiously. Our Company encourages the members to take appropriate measures to manage the risk in their respective sphere to maximize the value addition in their every activity which will result in wealth maximization of every stake holder. It enables us to protect our margins in adverse business conditions and maximize them in favorable markets.

A description of the main risks to which the Company is exposed

as well as the approach taken by the management to control and mitigate those risks is shown below:

##### Competition risk

Our Company may face competition from indigenous as well as foreign suppliers. Over the years our Company has de-bottlenecked and expanded the installed capacities of its chemicals and pharmaceuticals divisions. Our Company is further increasing the installed capacities of its chemicals & pharmaceuticals divisions with appropriate investment and by setting up the manufacturing facilities of other value added products i.e. acetyl chloride, mono chloro-acetic acid and iso butyl benzene, towards backward and forward integration to strengthen its position.

##### Geographic risk

A significant dependence on a particular market could be a risk in the event of a selective downturn in that region. Our Company's sales are spread throughout the country and has also expanded its export base to about 50 countries to mitigate this kind of risk.

##### Technological risk

Technological advances could result in asset obsolescence warranting a high cost of replacement. Our Company is using the latest technology in the manufacturing, processing and quality control measures and keeps itself in touch with the latest advancement in technology and tries to adopt the same to remain efficient in productivity and cost minimization.

##### Environmental risk

Non compliance with environmental regulatory issue might effect operations. The Company periodically checks the effluents and stack emissions norms to make sure that they do not increase from the standard norms. The Company complies with all the applicable rules and regulations to protect the environment. Moreover, the Company has obtained ISO 14001:2004 certification.

##### Credit risk

Credit risk is associated with losses that occur when debtors are unable to meet their repayment obligations on time. The Company has established internal policies to determine the credit worthiness and reliability of potential customers.

##### Liquidity risk

This refers to the possibility of default of a Company to meet its obligations because of unavailability of funds to meet both operational and capital requirements. In order to ensure adequacy of its funding, cash flow forecasts are prepared regularly and appropriate actions are taken accordingly.

##### Foreign exchange risk

The Company is exposed to foreign exchange risk with respect to foreign currencies, denominated mainly in US dollars, on revenue and supplies. However, the risk is hedged as the Company is engaged both in imports and exports both and is used to take future cover as the situation so warrants.



### Personnel risk

Personnel risk deals with the risks that affect the safety or stability of personnel within an organization. These are managed through occupational health and safety management and maintaining good industrial relations which minimize these risks and provides an organization with a competitive edge by maintaining high moral and experienced staff.

### Insurance

In order to reduce and mitigate identifiable risks all the immovable as well as movable assets of the Company including stocks continued to be properly insured and all the insurance policies are in force as on the date of the report.

### 6. Internal Control Systems

Well established and well defined internal controls, checks and systems are in place at all levels and in all departments of the Company, supported by an internal audit conducted by independent firm of Chartered Accountants. The Company's Audit and Risk Management Committee comprises three independent directors. The Committee reviews the report submitted by Internal Auditors and monitors follow-up & corrective action taken.

### 7. Financial Performance

#### Overview

Overall sluggishness of the economy has marginally affected the performance of the Company as compared to the previous year performance. The net sales and other income of the Company is Rs 30,519.36 lacs as against Rs 31,900.38 lacs achieved during the previous year. However, the profit after tax has increased by 2.68% to Rs 1,269.43 lacs during the year under review against Rs 1,236.33 lacs during the previous year.

#### Share Capital

The authorized share capital of the Company is Rs 3,000 lacs divided into 2,50,00,000 equity shares of Rs 10 each and 50,00,000 preference shares of Rs 10 each.

During the year, the paid up equity share capital of the Company has increased to Rs 18,15,00,000 from Rs 13,38,00,000 due to allotment of 47,70,000 equity shares of Rs 10 each (consisting issue of 18,85,500 equity shares of Rs 10 at a premium of Rs 32 per share on September 6, 2008; 13,30,500 equity shares at a premium of Rs 32 per share and 11,00,000 equity shares at a premium of Rs 65 per share on October 30, 2008 and 4,54,000 equity shares at a premium of Rs 32 per share on February 20, 2009).

#### Reserves and Surplus

The addition to the share premium account of Rs 1,889.40 lacs during the year is due to the premium received on issue of 36,70,000 equity shares of Rs 10 at a premium of Rs 32 per share and 11,00,000 equity shares of Rs 10 at a premium of Rs 65 per share.

#### Loan Funds

Secured loans at the end of the financial year 2009 were Rs 21,394.41 lacs against Rs 8,616.19 lacs at the end of the

previous year. Unsecured loans at the end of the financial year 2009 stood at Rs 1,908.08 lacs against Rs 1,316.25 lacs at the end of the previous year.

#### Deferred Tax Liability

The Company had a deferred tax liability (net of deferred tax assets) of Rs 255.38 lacs as on March 31, 2009 as against Rs 421.63 lacs at the end of the previous year.

#### Fixed Assets

During the year, the Company added Rs 637.80 lacs to its gross block of assets. Gross block of fixed assets as on March 31, 2009 stood at Rs 15,915.30 lacs at against Rs 15,277.50 lacs as on March 31, 2008. The increase in gross block was due to major additions in plant and machinery of Rs 317.26 lacs, in freehold land of Rs 193.95 lacs and in buildings of Rs 69.70 lacs during the year. The Company incurred Rs 16,125.16 lacs on the ongoing expansion cum backward and forward integration project during the year. Thus capital work in progress stood at Rs 18,746.68 lacs as on March 31, 2009 against Rs 2,621.52 lacs as at the end of the previous year.

The Company remains focused on the growth in fixed assets required to support its growing business in India and overseas.

#### Current Assets, Loans and Advances

##### a) Inventories

The Company had inventories of Rs 5,233.55 lacs as on March 31, 2009 against Rs 3,472.89 lacs as on March 31, 2008.

##### b) Sundry Debtors

Sundry debtors amounted to Rs 2,523.78 lacs as on March 31, 2009 as compared with Rs 3,225.92 lacs as on March 31, 2008.

##### c) Cash and Bank balance

As on March 31, 2009 the Company had cash and bank balances of Rs 669.51 lacs as compared to Rs 373.38 lacs as on March 31, 2008.

##### d) Loans and advances

Loans and advances as on March 31, 2009 were Rs 2,490.24 lacs as compared to Rs 1,737.42 lacs as on March 31, 2008.

#### Current Liabilities

Current liabilities went up to Rs 5,786.65 lacs as on March 31, 2009 as compared to Rs 5,230.13 lacs as on March 31, 2008.

Provisions made towards taxes aggregated to Rs 49.09 lacs during the year as against Rs 39.99 lacs during the previous year. Provision of Rs 25.77 lacs was made towards employee benefits as per Indian GAAP-15 as against Rs 13.36 lacs in the previous year.

#### Net Sales

During the year, net sales of the Company decreased by 5.27% to Rs 30,185.85 lacs during the year ended March 31, 2009 as against Rs 31,864.20 lacs during the previous year.

**Exports**

During the year under review, export turnover of the Company as a percentage to net sales, has decreased to 12.22% from 14.26 % during the previous year.

**Other Income**

Other income for the year ended March 31, 2009 was Rs 333.51 lacs as against Rs 36.17 lacs in the previous year. Interest received during the year was Rs 64.83 lacs as against Rs 29.53 lacs during the previous year.

**Raw Material Consumed**

During the year, the percentage of raw material consumption to net sales was 73.87% as against 71.11% for the previous year.

**Manufacturing Expenses**

During the year, the percentage of manufacturing expenses to net sales increased by 0.79% to 12.75% from 11.96% .

**Personnel Expenses**

The percentage of personnel expenses to net sales during the year was 2.70% against 2.60% for the previous year.

**Administrative Expenses**

During the year, the percentage of administrative expenses to net sales increased to 1.20% from 0.99%.

**Selling and Distribution Expenses**

Selling and distribution expenses stood at 3.20% of net sales during the year under review against 3.91% in the previous year.

**Financial Expenses**

During the year, the percentage of financial expenses to net sales was 4.94% against 4.07% in the previous year.

**Depreciation**

The depreciation charged to the profit and loss account increased during the year to Rs 1,000.17 lacs as compared to Rs 742.88 lacs in the previous year, mainly because of the increase in gross block of assets.

**Provision for taxation**

The Company has provided provision for current tax, deferred tax and fringe benefit tax computed in accordance with provision of Income Tax, 1961. Net provision of tax for the year under review was Rs (159.65) lacs in comparison to Rs 400.33 lacs during the previous year.

**Profit after tax**

During the year, profit after tax was Rs 1,269.43 lacs against Rs 1,236.33 lacs during the previous year.

**Cash flows**

The Company's net cash flow from operating activities for the year ended March 31, 2009 was Rs 2,145.15 lacs against Rs 2,226.70 lacs during the previous year.

The Company's net cash used in investing activities amounted to Rs 16,700.36 lacs during the year ended March 31, 2009 against Rs 4,692.21 lacs during the previous year.

During the year, net cash flow from financing activities increased to Rs 14,851.34 lacs as against Rs 2,500.67 lacs during the previous year.

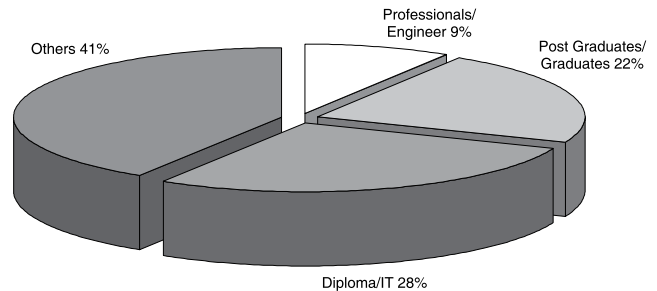
**8. Contribution to National Exchequer**

The Company has contributed a sum of Rs 3,227.88 lacs during the year under review as compared to Rs 4,235.14 lacs during the previous year to the National Exchequer by way of central excise duty in addition to contribution through other direct and indirect taxes.

**9. Human Assets**

The Company has a team of about 784 strong members as on March 31, 2009 consisting of 9% Professionals /Engineers, 22% Post Graduates/ Graduates, 28% Diploma/ITI and 41% others. During the year 2008-09, this strength has increased with 100 members.

**Manpower Profile**



The Company stresses on the all around development of the human resources. The Company's HR policies entail the Company with a high degree of expertise, professional depth, dynamism and power of the youth. The Company believes in giving due respect and dignity to human resources and consider them very valuable and vital assets to the development of the organization. To continuously enhance the competencies of the employees, the Company organizes a series of in-house as well as external training programs.

**10. Cautionary Statement**

Statement in the Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be "Forward Looking Statements" with in the meaning of applicable laws & regulations. Actual results may differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include but are not restricted to the economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws, and other statutes, as also other incidental factors

For and on behalf of the Board

Sd/-

(Varinder Gupta)

Chairman and Managing Director

Place : Chandigarh  
Dated : July 31, 2009

**CORPORATE GOVERNANCE REPORT**
**Company's Philosophy on Corporate Governance**

It has been the continuous endeavor of IOL Chemicals and Pharmaceuticals Limited to exceed and excel through better Corporate Governance and fair & transparent governance practices, many of which were in place before they were mandated by SEBI. For creation and maximization of wealth of shareholders on a sustainable and long-term basis, it is imperative for the Management to institutionalize a "Framework of Corporate Governance and Code of Practices" as an enabling methodology to further strengthen management and decision-making process. We believe in leveraging the resources to translate dreams into opportunities and opportunities into reality; to infuse people with a vision which sparks dynamism and entrepreneurship; to create a system of succession which combines stability with flexibility and continuity with change.

**1. Board of Directors:**
**a) Composition of the Board:**

The Board comprises two executive, one non-executive and six independent directors as on March 31, 2009. The Company is having majority of independent directors on the Board. The detail of the composition of the Board, number of directorship held, chairmanship & membership of the committee and shareholding in the Company are as given below:

Name of the Director	Category	No. of Directorship held <sup>#</sup>	No. of Committees <sup>@</sup>		Shareholding in the Company
			Chairmanships	Memberships	
Mr Varinder Gupta (Chairman & Managing Director)	Executive	7	—	—	1156630
Dr M A Zahir	Independent	12	2	5	300
Mr Chandra Mohan	Independent	8	—	4	—
Dr (Mrs) H K Bal	Independent	8	3	4	—
Mr Parminder Singh Cheema * (Nominee of IDBI)	Independent	1	—	1	—
Mr Yogesh Goel	Independent	3	—	1	—
Mr Ravi Pratap Singh	Independent	1	—	—	—
Mrs Dimple Gupta	Non-Executive, non-independent	5	—	1	—
Mr R K Thukral (Executive Director)	Executive	4	1	—	—

\* Mr Parminder Singh Cheema was nominated on the Board of the Company w.e.f. March 2, 2009 by IDBI in place of Mrs Lalita Kapur.

# Including IOL Chemicals and Pharmaceuticals Limited and does not include Unlimited Company, Private Limited Company, Foreign Company and Company registered under section 25 of Companies Act, 1956

@ Board Committees for this purpose includes Audit Committee and Shareholders'/Investors' Grievance Committee only (including Board Committees of IOL Chemicals and Pharmaceuticals Limited)

**Notes:**

- None of the directors is a chairman of more than 5 (five) committees and member of more than 10 (ten) committees.
- There is no inter-se relationship between the directors except Mrs Dimple Gupta, being a wife of Mr Varinder Gupta.

**b) Change in directorship during the year:**

Name of Director	Position	Nature of change	Date of event
Mr Ravi Pratap Singh	Director	Appointment	July 31, 2008
Mr R K Thukral	Executive Director	Appointment	July 31, 2008
Mr Yogesh Goel	Additional Director	Appointment	October 31, 2008
Mr Parminder Singh Cheema	Nominee Director, IDBI	Appointment	March 2, 2009
Mrs Lalita Kapur	Nominee Director, IDBI	Withdrawal of Nomination	March 2, 2009

The Company has appointed Mr Yogesh Goel as Additional Director w.e.f. October 31, 2008. He hold office upto the date of ensuing Annual General Meeting. The Company has received a notice under Section 257 of Companies Act, 1956 for his appointment as Director of the Company.

**c) Attendance of Directors at the Board Meetings and last Annual General Meeting:**

During the financial year 2008-09, the Board of Directors met 4 (four) times on May 5, 2008, July 31, 2008, October 31, 2008 and January 23, 2009. There was no gap of more than four months between any two consecutive meetings. The attendance



of the directors at the Board Meetings and last Annual General Meeting (AGM) held on September 20, 2008 are as given below:

Directors	Meetings Attended	Last AGM Attended
Mr Varinder Gupta	4	Yes
Mr M A Zahir	4	Yes
Mr Chandra Mohan	2	No
Dr (Mrs) H K Bal	4	No
Mrs Lalita Kapur (Nominee, IDBI)*	3	No
Mr Yogesh Goel	1	NA
Mr Ravi Pratap Singh	2	No
Mrs Dimple Gupta	4	No
Mr R K Thukral	2	Yes

\*Ceased to be director with effect from March 2, 2009.

#### d) Meetings Procedure:

The Company holds regular Boards Meetings. The Board is informed the venue and date of meeting in advance in writing at their usual address and also through e-mail. The detail agenda papers alongwith explanatory statements are circulated to directors in advance. The Board has complete access to all information with the Company. All information stipulated in clause 49 is regularly provided to the Board as a part of agenda papers. The directors actively participate in the Board Meetings and contribute significantly by expressing their view, opinion and suggestions. The decision is taken after proper and through discussion.

#### e) Remuneration of Directors:

- i) Executive Director: The Company pays remuneration to its Managing Director and Executive Director as approved by the Remuneration Committee, the Board of Directors and the Members of the Company. Detail of the remuneration given to the Managing Director and the Executive Director during the financial year 2008-2009 is given below:

(Amount in Rs)

Name	Position	Salary	Commission	Contribution to Provident & other Funds	Other perquisites & allowances	Total
Mr Varinder Gupta	Managing Director	9,60,000	—	1,15,200	12,35,824	23,11,024
Mr R K Thukral	Executive Director	4,76,800	—	57,216	6,10,304	11,44,320

- ii) Non-Executive Directors: Non-Executive Directors have not paid any remuneration except sitting fees @ Rs 2500/- for attending each Board and Committee meeting upto 20.09.2008 but the sitting fee was increased to Rs 7500/- for attending each Board meeting and Rs 5000/- for attending each Committee meeting from that date. The sitting fee has been paid to the nominating institution for attending the meeting by its nominee. The details of sitting fees paid during the year 2008-2009 is as follow:

(Amount in Rs)

Name of Directors	Fee paid for Board Meetings	Fee paid for Committee Meetings*	Total Fee Paid
Mr M A Zahir	20,000	72,500	92,500
Mr Chandra Mohan	10,000	—	10,000
Dr (Mrs) H K Bal	20,000	72,500	92,500
Mrs Lalita Kapur (IDBI Nominee)	12,500	12,500	25,000
Mr Yogesh Goel	7,500	—	7,500
Mr Ravi Pratap Singh	15,000	—	15,000
Mrs Dimple Gupta	20,000	5,000	25,000
<b>TOTAL</b>	<b>1,05,000</b>	<b>1,62,500</b>	<b>2,67,500</b>

\*The fees paid for Committees includes Audit & Risk Management Committee, Banking & Finance Committee, Remuneration Committee, Investors' Grievance Committee, Allotment Committee and Share Transfer Committee.

During the year 2008-09, the Company did not advance any loans to any of its directors except advance for travel or other purposes to discharge the official duties in the normal course of business. There is no provision of any severance fee payable to any director on the cessation of directorship of the Company.



**f) Profile of Directors**

The brief profile of the Directors of the Company is furnished hereunder:

**1. Mr Varinder Gupta**

Mr Varinder Gupta, Promoter Director, aged 46 years is presently Chairman and Managing Director of the Company. He is an industrialist with more than 25 years experience in the chemical and fertilizer industry. He has also been associated as Joint Managing Director with Varinder Agro Chemicals Limited, now merged with Abhishek Industries Limited from 1989 to 1991. He holds 11,56,630 equity shares of the Company.

**2. Dr M A Zahir**

Dr M A Zahir, aged 66 years, has been a Director of the Company since 1998. He has more than 42 years of experience in business management education and has been involved in imparting training to executives at senior levels of different institutions in the public as well as the private sector. He has remained Dean, College of Basic Science and Humanities, PAU, Ludhiana. He holds a Masters' Degree in Commerce and a Ph.D. Presently, he is Chairman of Syntetic Business School (SBS), Ludhiana. He holds 300 equity shares of the Company.

**3. Mr Chandra Mohan**

Mr Chandra Mohan, aged 76 years, has been a Director of the Company since 2005. He has more than five decades of experience in Indian industry. He was Vice Chairman and Managing Director of Punjab Tractors Limited for 28 years, the longest serving Chief Executive Officer in the Indian corporate world. He was instrumental in designing and developing the Indian tractor named Swaraj with completely indigenous technology that not only competed successfully with foreign technology but exceeded it. He has received numerous awards including Padmashree in 1985 for his contribution to both industry and society. Since Punjab Tractors Limited, Mr. Mohan has been involved in further developing Indian engineering capabilities. He holds a BA (Hons) and BSc in Mechanical Engineering.

**4. Dr (Mrs) H K Bal**

Dr (Mrs) H K Bal, aged 70 years, has been a Director of the Company since 2002. She has served in many colleges and was head of the Department of Business Management of Punjab Agriculture University, Ludhiana. She holds a Doctorate in Statistics and holds a Diploma in Management.

**5. Mr Parminder Singh Cheema**

Mr Parminder Singh Cheema, aged 33 years, is a nominee Director of IDBI Bank Limited on the Board of the Company. He is the Branch Head-Mid Corporate Branch at Ludhiana. He is a Commerce graduate from Panjab University and MBA from Newport University, California.

**6. Mr Yogesh Goel**

Mr Yogesh Goel, aged 54 years, has been an additional Director of the Company since October 31, 2008. He is currently working with the Punjab State Industrial Development Corporation Limited (PSIDC) and has 31 years of experience in the identification, promotion and implementation of chemical units in joint/assisted sectors. He is also Chairman of Punjab Pollution Control Board. He has a graduate degree in chemical engineering from Panjab University, Chandigarh.

**7. Mr Ravi Pratap Singh**

Mr Ravi Pratap Singh, aged 50 years, has been a Director of the Company since July 31, 2008. He is a Partner of Sycamore Ventures, where he focuses on India related investments. Over the course of his 25 year career, Mr. Singh has structured and led numerous public and private financings, mergers and acquisitions and global investments. He has a BS in Mechanical Engineering from University of Delhi and an MBA from Columbia University. Currently, he is Managing Director of indiaSTAR (Mauritius) Limited.

**8. Mrs Dimple Gupta**

Mrs Dimple Gupta, aged 42 years, has been a Director of the Company since 2006. She is an industrialist and has extensive experience in this field.

**9. Mr R K Thukral**

Mr R K Thukral, aged 58 years, has been an Executive Director of the Company since July 31, 2008. He has more than 35 years experience in the chemical industry. He was President (Works) at Varinder Agro Chemicals Limited, which has now merged with Abhishek Industries Limited. He is a graduate in Science.

## g) Detail of other Directorship:

Name of the Director	Name of the company
Mr Varinder Gupta	<ol style="list-style-type: none"> <li>1. G Drugs and Pharmaceuticals Limited</li> <li>2. Mayadevi Polycot Limited</li> <li>3. Trident Towel Limited</li> <li>4. IOL Lifesciences Limited</li> <li>5. NM Merchantiles Limited</li> <li>6. NCG Enterprises Limited</li> </ol>
Mr M A Zahir	<ol style="list-style-type: none"> <li>1. Hero Cycles Limited</li> <li>2. Highway Industries Limited</li> <li>3. Ralson (India) Limited</li> <li>4. Sohrab Spinning Mills Limited</li> <li>5. Rockman Industries Limited</li> <li>6. Hero Honda Finlease Limited</li> <li>7. Sunshine Corporation Limited</li> <li>8. Lotus Integrated Texpark Limited</li> <li>9. Trident Cottons Limited</li> <li>10. Majestic Autos Limited</li> <li>11. Praneel Innovations Limited</li> </ol>
Mr Chandra Mohan	<ol style="list-style-type: none"> <li>1. Rico Auto Industries Limited</li> <li>2. Engineering Innovations Limited</li> <li>3. Sandhar Technologies Limited</li> <li>4. Winsome Yarns Limited</li> <li>5. DCM Engineering Limited</li> <li>6. Kamla Dials &amp; Devices Limited</li> <li>7. Winsome Textiles Industries Limited</li> </ol>
Dr (Mrs) H K Bal	<ol style="list-style-type: none"> <li>1. Nahar Spinning Mills Limited</li> <li>2. Nahar Poly Films Limited</li> <li>3. Nahar Industrial Enterprises Limited</li> <li>4. Shreyans Industries Limited</li> <li>5. Oswal Woolen Mills Limited</li> <li>6. Sportking India Limited</li> <li>7. Nahar Capital and Financial Services Limited</li> </ol>
Mr Parminder Singh Cheema	NIL
Mr Yogesh Goel	<ol style="list-style-type: none"> <li>1. Nahar Industrial Infrastructure Corporation Limited</li> <li>2. Healthcaps India Limited</li> </ol>
Mr Ravi Pratap Singh	NIL
Mrs Dimple Gupta	<ol style="list-style-type: none"> <li>1. Mayadevi Polycot Limited</li> <li>2. IOL Lifesciences Limited</li> <li>3. NM Merchantiles Limited</li> <li>4. NCG Enterprises Limited</li> </ol>
Mr R K Thukral	<ol style="list-style-type: none"> <li>1. G Drugs and Pharmaceuticals Limited</li> <li>2. Sunshine Corporation Limited</li> <li>3. Abhishek Corporate Services Limited</li> </ol>

## h) Detail of Chairmanship and Membership of the Committees:

Director	Audit Committee	Shareholders' Grievances Committee
Mr M A Zahir	Chairman - Rockman Industries Limited - IOL Chemicals and Pharmaceuticals Limited Member - Hero Cycles Limited - Lotus Integrated Texpark Limited - Praneel Innovations Limited	Member - Praneel Innovations Limited - IOL Chemicals and Pharmaceuticals Limited
Mr Chandra Mohan	Member - Winsome Yarns Limited - DCM Engineering Limited - Winsome Textiles Industries Limited	Member - Winsome Textiles Industries Limited



Dr (Mrs) H K Bal	Member - Shreyans Industries Limited - Sportking India Limited - IOL Chemicals and Pharmaceuticals Limited - Nahar Industrial Enterprises Limited	Chairman - Nahar Spinning Mills Limited - Nahar Poly Films Limited - IOL Chemicals and Pharmaceuticals Limited
Mr Parminder Singh Cheema	Member - IOL Chemicals and Pharmaceuticals Limited	NIL
Mr Yogesh Goel	Member - Healthcaps India Limited	NIL
Mrs Dimple Gupta	NIL	Member - IOL Chemicals and Pharmaceuticals Limited
Mr R K Thukral	Chairman - G Drugs and Pharmaceuticals Limited	NIL

## 2. Committees of the Board:

### a) Audit and Risk Management Committee

The Board has reconstituted Audit and Risk Management Committee on April 30, 2009 consisting of three directors, all being independent Directors viz. Dr M A Zahir (Chairman), Dr (Mrs) H K Bal and Mr Parminder Singh Cheema. The Statutory Auditors, Internal Auditors and Finance head are invitees on the Committee. The Company Secretary acts as Secretary to the Committee.

The terms of reference of the Audit and Risk Management Committee are as contained in the Section 292A of the Companies Act, 1956 and also as contained in the Clause 49 of the Listing Agreement. The primary objective of Committee is to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosures, transparency, integrity & quality of financial reporting and minimisation of risk.

During the year 2008-2009, the Audit and Risk Management Committee met four times on May 05, 2008, July 31, 2008, October 31, 2008 and January 23, 2009. There was no gap of more than four months between any two consecutive meetings. The attendance record of Audit and Risk Management Committee members is give below:

Name of the Members	Category	No. of Meetings	
		Held	Attended
Dr M A Zahir (Chairman)	Independent Director	4	4
Dr (Mrs) H K Bal	Independent Director	4	4
Mrs Lalita Kapur *	Independent Director	4	3

\* Ceased to be director w.e.f March 2, 2009

The Chairperson of Audit and Risk Management Committee was present at last Annual General Meeting to give answer to the queries of the shareholders.

### b) Remuneration Committee

The Board has reconstituted Remuneration Committee on April 30, 2009 consisting of three directors, all being independent Directors viz. Dr M A Zahir (Chairman), Dr (Mrs) H K Bal and Mr Parminder Singh Cheema. The terms of reference of Remuneration Committee include the determination of remuneration packages of the executive directors including remuneration policy, pension rights etc. During the year one meeting was held on July 31, 2008.

Name of the Members	Category	No. of Meetings	
		Held	Attended
Dr M A Zahir (Chairman)	Independent Director	1	1
Dr (Mrs) H K Bal	Independent Director	1	1
Mrs Lalita Kapur *	Independent Director	1	1

\* Ceased to be director w.e.f March 2, 2009

### c) Shareholders'/Investors' Grievance Committee

The Shareholders'/Investors' Grievance Committee consists of three Directors viz. Dr (Mrs) H K Bal (Chairman), Dr M A Zahir and Mrs Dimple Gupta to specifically look into the redressal of the Shareholders' / Investors' complaints. During the year, one meeting was held on February 24, 2009.

Name of the Members	Category	No. of Meetings	
		Held	Attended
Dr (Mrs) H K Bal (Chairman)	Independent Director	1	1
Dr M A Zahir	Independent Director	1	1
Mrs Dimple Gupta	Non-executive, Non independent Director	1	1

### Investors' Grievance Committee Report for the year ended March 31, 2009

The Committee expresses satisfaction with the Company's performance in dealing with investor grievances and its share

transfer system. During the year, all complaints received by the company has been resolved and no complaint/ query is pending as on March 31, 2009.

Place: Ludhiana  
Dated: June 30, 2009

Sd/-  
(H K Bal)  
Chairman, Investors' Grievances Committee

#### d) Other Committees

Besides, the above three Committees, the Board of Directors has delegated banking and finance matters to the Banking and Finance Committee; allotment of warrants/shares/debentures/other securities to Allotment Committee and Transfer of securities to Shares Transfer Committees. Detail of meetings of abovesaid Committees held during the financial year 2008-09 is as under:

Name of Committees	No. of Meetings held	Date of Meeting
Banking and Finance Committee	6	April 18, 2008, July 23, 2008, September 17, 2008, September 23, 2008, December 30, 2008, February 24, 2009
Allotment Committee	3	September 6, 2008, October 30, 2008, February 20, 2009
Share Transfer Committee	3	December 30, 2008, January 31, 2009, February 10, 2009

### 3. Management Discussion and Analysis Report

The Management Discussion and Analysis Report has been included in this Annual Report and includes discussion on the matters specified in the Clause 49 of the Listing Agreement.

### 4. Code of Conduct

The 'Combined Code of Corporate Governance and Conduct' has been adopted by the Company for its Board members and senior management of the Company. The said Code of Conduct is available on the website of the Company – [www.iolcp.com](http://www.iolcp.com). All Board Members and senior management personnel affirmed the compliance with the said code. A certificate signed by the Chairman and Managing Director as required under Clause 49(I)(D)(iii) affirming compliance of said code is given in this Annual Report.

### 5. Subsidiary Company

The Company does not have any subsidiary company.

### 6. Shareholders

#### a) Disclosures regarding appointment or re-appointment of Directors

According to Article 146 of the Articles of Association of the Company, one third of the directors for the time being are liable to retire by rotation, shall retire from the office. Accordingly Dr M A Zahir and Dr (Mrs) H K Bal, are liable to retire by rotation in the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The Board has recommended the re-election of these directors to the members.

During the year, the Company has appointed Mr Ravi Pratap Singh as Director and Mr R K Thukral as Executive Director w.e.f. July 31, 2008. Mr Yogesh Goel was appointed as additional Director w.e.f. October 31, 2008 and hold office upto the date of ensuing Annual General Meeting. The Company has received a notice under Section 257 of Companies Act, 1956 for the appointment of Mr Yogesh Goel as Director of the Company.

The nomination of Mrs Lalita Kapur was withdrawn by IDBI Bank Ltd and appointed Mr Parminder Singh Cheema in place of Mrs Lalita Kapur w.e.f March 2, 2009. The Board accepted the withdrawal of her nomination from the Board and places on record the appreciation for the services rendered by her during her tenure as director of the Company.

#### b) Communication to the Members

The quarterly, half yearly, annual results and notice of the meetings are generally published in 'Economic Times' (English), and the 'Desh Sewak' (Punjabi). As per the requirements of the Listing Agreement, the Company is also providing regular information to the Stock Exchange. The Company is also providing the Quarterly Results, Segment Reports, Shareholding Pattern and Corporate Governance Report on the corporate filing website as per Clause 52 of the Listing Agreement. The said information is also available at the Company's website i.e. [www.iolcp.com](http://www.iolcp.com).

The abovesaid information is also send to the member & investor on his e-mail Id registered with the Company. The member/ investor for getting the latest information may register his e-mail Id with the Company through registering on the Company's website [www.iolcp.com](http://www.iolcp.com) or sending the same by e-mail on [investor@iolcp.com](mailto:investor@iolcp.com).

#### c) Compliance Officer

Sh Krishan Singla, Vice President and Company Secretary is Compliance Officer. Any Investor/Shareholder of the Company can contact him on the matters related with the Company at 85, Industrial Area, 'A', Ludhiana, Phone: +91-161-2225531-35, Fax: +91-161- 2608784 and e-mail: [krishan@iolcp.com](mailto:krishan@iolcp.com) & [investor@iolcp.com](mailto:investor@iolcp.com)

#### d) Annual General Meetings

The last three Annual General Meetings were held at the Registered Office of the Company at Trident Complex, Raikot Road, Barnala as per the details given below:



Meetings	Date	Day	Time	Detail of Special Resolutions passed
21 <sup>st</sup> AGM	September 20, 2008	Saturday	10:00 A.M	1. Alteration in the Articles of Association. 2. Issue of shares to QIBs. 3. Raising of sources through issue of securities in the international market. 4. Increase in the sitting fees of Directors.
20 <sup>th</sup> AGM	September 22, 2007	Saturday	10:00 A.M	NIL
19 <sup>th</sup> AGM	June 24, 2006	Saturday	10.00 A.M	1. Issue of shares to QIBs. 2. Raising of sources through issue of securities in the International market. 3. Increase in the limits for FII Investment. 4. Alternative use of funds.

**e) Postal Ballot**

During the year ended March 31, 2009, the Company has not passed any resolution through postal ballot.

**7. Disclosures**

**a) Related Party Transactions**

There have been no materially significant related party transactions, pecuniary transactions or relationships between the Company and its directors, promoters that may have potential conflict with the interests of the Company at large except the details of transactions annexed to the Balance Sheet. All details relating to financial and commercial transactions, where directors may have a potential interest are provided to the Board and the interested directors neither participate in the discussion, nor do they vote on such matters.

**b) Compliance made by the Company**

The Company has continued to comply with the requirements of the Stock Exchange, SEBI and other Statutory Authority on all matters related to the capital markets and no penalties or strictures have been imposed on the Company by the Stock Exchange, SEBI or any other Statutory Authority relating to the above.

**c) Whistle Blower Policy**

The Company have whistle blower policy which provide opportunity to employees to access in good faith, to the Audit and Risk Management Committee in case they observe unethical and improper practices or any other alleged wrongful conduct in the Company and to prohibit managerial personnel from taking any adverse personnel action against those employees. It is affirmed that no personnel has been denied access to Audit and Risk Management Committee during the year.

**d) Compliance of Clause 49 pertaining to Mandatory requirements**

The Company has complied all provisions of Clause 49 of the Listing Agreement which are mandatory to comply. The status of compliance made during the year is as follow:

Particulars	Clause of Listing Agreement	Compliance Status Yes/No
<b>I. Board of Directors</b>	49 (I)	--
(A) Composition of Board	49(IA)	Yes
(B) Non-executive Directors' compensation & disclosures	49 (IB)	Yes
(C) Other provisions as to Board and Committees	49 (IC)	Yes
(D) Code of Conduct	49 (ID)	Yes
<b>II. Audit Committee</b>	49 (II)	--
(A) Qualified & Independent Audit Committee	49 (IIA)	Yes
(B) Meeting of Audit Committee	49( IIB)	Yes
(C) Powers of Audit Committee	49( IIC)	Yes
(D) Role of Audit Committee	49 (IID)	Yes
(E) Review of Information by Audit Committee	49 (IIE)	Yes
<b>III. Subsidiary Companies</b>	49 (III)	Not applicable
<b>IV. Disclosures</b>	49 (IV)	--
(A) Basis of related party transactions	49 (IV A)	Yes
(B) Disclosure of Accounting Treatment	49 (IV B)	Yes
(C) Board Disclosures- Risk Management	49 (IV C)	Yes
(D) Proceeds from public issues, rights issues, preferential issues etc.	49 (IV D)	Yes
(E) Remuneration of Directors	49 (IV E)	Yes
(F) Management	49 (IV F)	Yes
(G) Shareholders	49 (IV G)	Yes
<b>V. CEO/CFO Certification</b>	49 (V)	Yes
<b>VI. Report on Corporate Governance</b>	49 (VI)	Yes
<b>VII. Compliance</b>	49 (VII)	Yes

**8. General Shareholders Information**

The following information would be useful to the members:

- a) The Annual General Meeting of the Company will be held on Saturday, September 12, 2009 at 10.00 AM at the Registered Office of the Company at Trident Complex, Raikot Road, Barnala, Punjab.
- b) Financial Calendar :The last financial year of the Company was of twelve months from April 2008 to March 2009. The tentative financial calendar of the Company for the year 2009-10 shall be as follow:

Board meetings to take on record	Schedule
Financial Results for the quarter ending June 30, 2009	During July 2009
Financial Results for the quarter/half year ending September 30, 2009	During October 2009
Financial Results for the quarter/ nine months ending December 31, 2009	During January 2010
Financial Results for the quarter/year ending March 31, 2010	During June 2010

**c) Date of Book Closure**

Tuesday, the September 8, 2009 to Saturday, September 12, 2009 (both days inclusive).

**d) The Shares of the Company are listed on the following Stock Exchange**

Name and Address of the Stock Exchange	Stock Code
Bombay Stock Exchange Limited (BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai	524164

The Company has made all the compliances of the Listing Agreement including payment of annual listing fee.

**e) Distribution of Shareholding**

The Distribution Schedule of the Company as on March 31, 2009 is as follow:

Range No. of shares	Shareholders		Shares	
	Number	%age to total holders	Number	%age to total capital
Upto 5000	7,178	95.52	9,02,829	4.97
5001 to 10000	172	2.29	1,43,303	0.79
10001 to 20000	60	0.80	32,362	0.51
20001 to 30000	25	0.33	1,43,995	0.79
30001 to 40000	13	0.17	81,838	0.45
40001 to 50000	14	0.19	1,58,400	0.87
50001 to 100000	15	0.20	1,21,673	0.67
100001 and Above	38	0.51	1,65,05,600	90.94
<b>Total</b>	<b>7,515</b>	<b>100.00</b>	<b>1,81,50,000</b>	<b>100.00</b>

**f) Shareholding Pattern:**

The Shareholding Pattern of the Company as on March 31, 2009 is as follow:

Category	As on March 31, 2009				As on March 31, 2008			
	Share-holders	Shares	% age	Shares pledged	Share-holders	Shares	% age	Shares pledged
<b>Promoter</b>								
Indians	2	97,37,953	53.65	4,00,000	2	65,37,953	48.86	4,00,000
Foreign	—	—	—	—	—	—	—	—
<b>Sub – total</b>	<b>2</b>	<b>97,37,953</b>	<b>53.65</b>	<b>4,00,000</b>	<b>2</b>	<b>65,37,953</b>	<b>48.86</b>	<b>4,00,000</b>
<b>Non-Promoters</b>								
Financial Institutions/ Mutual Funds	4	10,800	0.05	—	4	11,000	0.08	—
Bodies Corporate	144	34,62,634	19.08	—	157	34,68,743	25.93	—
Individuals	7,350	24,33,512	13.41	—	7591	20,27,481	15.15	—
NRI	11	75,101	0.41	—	10	4,823	0.04	—
Foreign Companies	1	24,30,000	13.39	—	1	13,30,000	9.94	—
<b>Sub -total</b>	<b>7,510</b>	<b>84,12,047</b>	<b>46.35</b>	<b>—</b>	<b>7763</b>	<b>68,42,047</b>	<b>51.14</b>	<b>—</b>
<b>Total</b>	<b>7,512</b>	<b>1,81,50,000</b>	<b>100</b>	<b>4,00,000</b>	<b>7765</b>	<b>1,33,80,000</b>	<b>100</b>	<b>4,00,000</b>



**g) Investors complaints/ queries received and resolved:**

Detail of investors complaints/queries received and resolved during the year 2008-09 is as under:

Sr. No	Nature of complaints/ queries	No. of complaints/ queries during the year		
		Received	Attended	Pending
1	Transfer of shares	1	1	NIL
2	Dividend	1	1	NIL
3	Loss/Issue of duplicate shares certificate	14	14	NIL
4	SEBI/Stock Exchange	1	1	NIL
5	Change of Address	-	-	NIL
6	Split/Consolidation	-	-	NIL
7	Others	65	65	NIL

**h) Designated e-mail id for investors**

In terms of Clause 47(f) of the Listing Agreement, the designated e-mail address for investor complaints is **investor@iolcp.com**

**i) Legal proceeding related to the Investors**

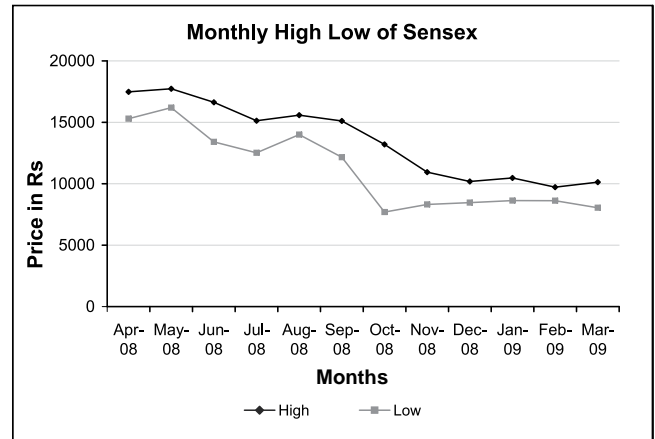
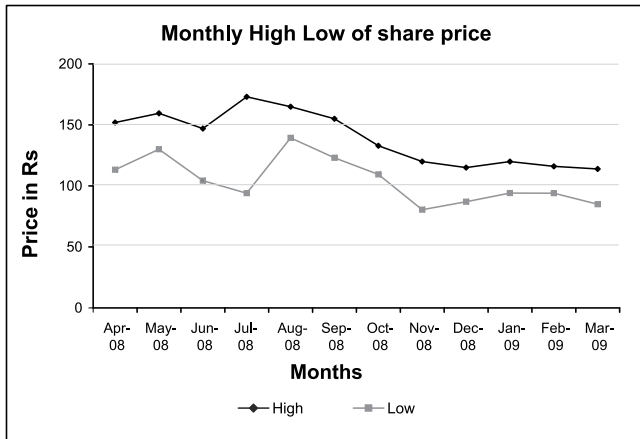
There is no legal proceeding against / by the Company from investors.

**j) Market Price data**

Monthly high and low prices of equity shares of the Company at the Bombay Stock Exchange Limited (BSE) are as follow:

Financial Year 2008-09	Share Price of the Company			BSE SENSEX	
	High	Low	Volume	High	Low
April, 2008	151.95	113.20	12,20,922	17,481	15,298
May, 2008	159.50	130.00	11,43,080	17,736	16,196
June, 2008	147.00	104.25	3,95,442	16,633	13,406
July, 2008	173.00	94.00	15,09,082	15,130	12,514
August, 2008	164.95	139.35	10,01,343	15,580	14,002
September, 2008	155.00	123.00	4,55,839	15,107	12,154
October, 2008	132.90	109.40	3,66,501	13,204	7,697
November, 2008	120.00	80.55	2,47,159	10,945	8,316
December, 2008	115.00	87.05	4,69,716	10,189	8,467
January, 2009	120.00	94.15	3,37,697	10,470	8,632
February, 2009	116.00	94.00	3,61,100	9,725	8,619
March, 2009	113.90	84.95	9,40,611	10,127	8,047

Source: bseindia.com



**k) Registrar and Share Transfer Agents**

Alankit Assignments Limited,  
 (Unit: IOL Chemicals and Pharmaceuticals Limited)  
 "Alankit House", 2E/21, Jhandewalan Extension,  
 New Delhi - 110055  
 Phone : +91-11-23541234, 42541234  
 Fax : +91-11-42541967  
 E mail : rta@alankit.com



**l) Dematerialisation and Transfer of shares**

The equity shares of the Company are under rolling settlement and are compulsory traded and settled only in the dematerialised form. During the financial year 2008-2009, 43,45,099 (23.94%) equity shares of the Company have been dematerialised and in total 1,69,22,329 (93.23%) shares of the Company have been dematerialised as on March 31, 2009.

No case is pending for transfer as well as dematerialisation of shares. The ISIN No. of the Company is INE485C01011.

**m) Secretarial Audit**

M/s B. K. Gupta & Associates, Company Secretaries, carried out a secretarial audit to reconcile the total admitted capital with NSDL & CDSL, total issued and listed capital. The secretarial audit report for the quarters of the financial year ended March 31, 2009 confirm that total admitted capital with both the depositories, NSDL & CDSL, the total issued and listed capital are same and no case is pending for dematerialisation for more than 21 days.

**n) Outstanding GDR/ADR/Warrants/Convertible Instrument**

The Company have not outstanding GDR/ADR/ warrants as on March 31, 2009 except 13,99,998 fully convertible debentures of Rs 100 each convertible in equity shares of Rs 10 each at a premium of Rs 65 within a period of 18 months from the date of allotment i.e. October 22, 2007, which have been converted on April 21, 2009.

**o) Plant Location**

Village Fatehgarh Chhana, Dhaula Complex, Mansa Road,  
Barnala-148 001.

Phone : +91-1679-285285-86

Fax : +91-1679-285292

**p) Address for Correspondence**

For General correspondence:

The Company Secretary  
IOL Chemicals and Pharmaceuticals Limited  
85, Industrial Area 'A', Ludhiana – 141 003.  
Phone : +91-161-2225531-35  
Fax : +91-161-2608784  
E-mail : investor@iolcp.com, krishan@iolcp.com

For share transfer/ dematerialisation/ change of address etc:

Mr Mahesh Jairath  
Alankit Assignments Limited,  
(Unit: IOL Chemicals and Pharmaceuticals Limited)  
"Alankit House", 2E/21, Jhandewalan Extension, New Delhi - 110055  
Phone : +91-11-23541234, 42541234  
Fax : +91-11-42541967  
E mail : rta@alankit.com

**q) Address of regulatory authorities/ stock exchange**

Securities and Exchange Board of India  
Head Office : Plot No.C4-A,  
'G' Block, Bandra Kurla Complex,  
Bandra(East), Mumbai-400051  
Tel : +91-22-26449000 / 40459000  
Fax : +91-22-26449016-20 / 40459016-20  
E-mail : sebi@sebi.gov.in

Bombay Stock Exchange  
Phiroze Jeejeebhoy Tower,  
Dalal Street,  
Mumbai- 400001  
Phone : +91-22-22721233/4  
Fax : +91-22-22721919

**r) Address of Depositories**

National Securities Depository Limited  
Trade World, A wing, 4th & 5th Floors,  
Kamala Mills Compound,  
Lower Parel, Mumbai - 400 013  
Tel : +91-22-2499 4200 (60 lines)  
Fax : +91-22-2497 2993/ 2497 6351  
Email : info@nsdl.co.in

Central Depository Services (India) Limited  
Phiroze Jeejeebhoy Towers,  
16th Floor, Dalal Street  
Mumbai - 400 001  
Phone : +91-22-22723333  
Fax : +91-22-22723199 / 22722072  
Email : investors@cdslindia.com

**9. CEO and CFO certificate**

The certificate from the Chairman and Managing Director (CEO) and President (Finance) (CFO) under Clause 49 (V) of Listing Agreement is given in this Annual Report.

**10. Auditor's Certificate on Compliance**

A certificate from the Statutory Auditors confirming the compliance of Clause 49 (VII) is given in this Annual Report.

**11. Compliance of clause 49 pertaining Non-Mandatory requirements**

So far as Non-Mandatory requirements are concerned, the Company has constituted the Remuneration Committee of the Board



**Auditors' Certificate on Compliance with the conditions of Corporate Governance under Clause 49 of the Listing Agreement**

To  
The Members  
IOL Chemicals and Pharmaceuticals Limited

We have examined the compliance of conditions of Corporate Governance by IOL Chemicals and Pharmaceuticals Limited for the year ended on March 31, 2009 as stipulated in clause 49 of the Listing Agreement of the Company with Stock Exchange in India. The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to review of the procedures and implementation thereof, adopted by the Company, for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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

We state that no investor grievance is pending for a period of exceeding one month against the Company as per the records maintained by the Company and presented to the Shareholders'/Investors' Grievance Committee.

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

For S. C. VASUDEVA & CO.  
Chartered Accountants

Place : Ludhiana  
Dated : June 30, 2009

Sd/-  
Sanjiv Mohan  
Partner  
M. No. 86066

**Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification**

We, Varinder Gupta , Chief Executive Officer and Chairman and Managing Director and Rakesh Mahajan, Chief Financial Officer and President (Finance) of IOL Chemicals and Pharmaceuticals Limited, certify that:

1. We have reviewed the financial statements and the cash flow statement for the year ended March 31, 2009 and that to the best of our knowledge and belief :
  - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - b) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year are fraudulent, illegal or violative of the Company's code of conduct;
3. We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit & Risk Management Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies;
4. We have indicated to the Auditors and the Audit & Risk Management Committee
  - a) significant changes in internal controls during the year;
  - b) significant changes in accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements; and
  - c) instances of significant fraud of which we have become aware and involvement therein, if any, of the management or other employees who have a significant role in the Company's internal controls system.
5. We further declare that all board members and senior managerial personnel have affirmed compliance with the Combined Code of Corporate Governance and Conduct for the financial year ended March 31, 2009 .

Place : Ludhiana  
Dated : June 30, 2009

Sd/-  
Varinder Gupta  
Chief Executive Officer, and  
Chairman and Managing Director

Sd/-  
Rakesh Mahajan  
Chief Financial Officer and  
President (Finance)

**AUDITORS' REPORT**

The Members,  
IOL Chemicals and Pharmaceuticals Limited, Ludhiana

1. We have audited the attached Balance sheet of M/s IOL Chemicals and Pharmaceuticals Limited as at March 31, 2009 and also the Profit and loss account and the Cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraph 4 and 5 of the said order.
4. Further to our comments in the annexure referred to in paragraph 3 above, we report that :
  - 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 those 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 the written representations received from the directors as on March 31, 2009 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on March 31, 2009 from

being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies and other notes 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;
  - i) in the case of balance sheet, of the state of affairs of the company as at March 31, 2009;
  - ii) in the case of profit and loss account, of the profit for the year ended on that date; and
  - iii) in the case of cash flow statement, of the cash flows for the year ended on that date.

for S C VASUDEVA & CO.  
Chartered Accountants  
Sd/-

Place : Ludhiana  
Dated : June 30, 2009

Sanjiv Mohan  
Partner  
Membership No. 86066

**ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph 3)

- (1) a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - b) According to the information and explanations given to us, the fixed assets have been physically verified by the management during the year. No discrepancies were noticed on such physical verification. In our opinion the frequency of physical verification of fixed assets is reasonable having regard to the size of the company and nature of its business.
  - c) According to information and explanations given to us, the company has not disposed off substantial part of its fixed assets during the year.
- (2) a) According to the information and explanations given to us, the inventories have been physically verified by the management at the close of 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 as evidenced by the written procedures and instructions



- are reasonable and adequate in relation to the size of the company and nature of its business.
- c) In our opinion, the company is maintaining proper records of inventory. As explained to us, no discrepancies were noticed on physical verification of inventory as compared to the book records.
- (3) a) According to the information and explanations given to us, the company has not granted loans secured or unsecured to companies, firm or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly the provisions of clause 4 (iii) (b) (c) and (d) of the above said order are not applicable to the company.
- b) According to the information and explanations given to us, the company has taken interest free unsecured loans from three companies and one party covered in the register maintained under section 301 of the Companies Act, 1956. The amount involved in the transaction is Rs 1,019.77 lacs. There is Rs 1,019.77 lacs payable as at the close of the year.
- c) According to the information and explanations given to us and in our opinion, terms and conditions in respect of unsecured loans taken by the company are not prima-facie prejudicial to the interest of the company.
- d) In our opinion and according to the information and explanations given to us, the schedule for payment of principal amount is not yet decided.
- (4) According to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (5) a) According to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register maintained under that section.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding Rupees five lacs or more in respect of each party during the year, have been made at prices at the relevant time.
- (6) According to the information and explanations given to us, the company has not accepted any deposits from public. Therefore, the provisions of section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are not applicable to the company. No order 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.
- (7) In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
- (8) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records with a view to determine whether they are accurate or complete.
- (9) a) According to the information and explanations given to us and on an examination of the records of the company, we are of the opinion that the company has been regular in depositing statutory dues including provident fund, employees' state insurance, income tax, sales tax, wealth tax, custom duty, excise duty, cess and other applicable statutory dues with the appropriate authorities. No undisputed amounts payable in respect of the aforesaid dues were outstanding as at March 31, 2009, for a period of more than six months from the date of they becoming payable.
- b) According to the information and explanations given to us, there is no disputed statutory dues in respect of income tax, sale tax, service tax, custom duty, wealth tax, excise duty and cess.
- (10) The company does not have accumulated losses as at March 31, 2009. The latter part of the question regarding net worth is not applicable. Further, the company has not incurred cash losses during the financial year covered under audit and in the immediately preceding financial year.
- (11) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to banks or financial institutions.
- (12) In our opinion and according to the information and explanations given to us, the company has not granted

any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of clause 4(xii) of the above said order are not applicable to the company.

- (13) According to the information and explanations given to us, the company is not a chit fund, or a nidhi/mutual benefit fund/ society. Accordingly, the provisions of clause 4 (xiii) of the above said order are not applicable to the company.
- (14) According to the information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4(xiv) of the above said order are not applicable to the company.
- (15) According to the information and explanations given to us, the company has not given guarantee for loans taken by others from banks and financial institutions. Therefore, the provisions of clause 4(xv) of the above said order are not applicable to the company.
- (16) According to the information and explanations given to us, the company has applied the term loans for the purpose for which the loans were taken.
- (17) In our opinion and according to information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long term investment.

- (18) According to the information and explanation given to us, the company has made preferential allotment to the companies covered in the register maintained under section 301 of the Companies Act, 1956. The preferential allotments of shares were in accordance with SEBI (Disclosures and Investor Protection) Guidelines, 2000. The price at which preferential allotments of shares has been made by company is not prejudicial to the interest of the company.
- (19) According to the information and explanations given to us, the company has not issued debentures during the year. Accordingly, the provisions of clause 4(xix) of the above said order are not applicable to the company.
- (20) According to the information and explanations given to us, the company has not raised money by way of public issue during the year. Accordingly, the provisions of clause 4(xx) of the above said order are not applicable to the company.
- (21) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the period covered by our audit.

for S C VASUDEVA & CO.  
Chartered Accountants  
Sd/-  
Sanjiv Mohan  
Partner  
Membership No. 86066

Place : Ludhiana  
Dated : June 30, 2009

**BALANCE SHEET AS AT MARCH 31, 2009**

Particulars	Schedule No.	As at March 31, 2009		As at March 31, 2008
			Rs	Rs
<b>I. SOURCES OF FUNDS</b>				
<b>1. Shareholders' Funds</b>				
a) Share Capital	1	23,15,00,000		18,38,00,000
b) Reserves & Surplus	2	79,39,29,661		47,80,46,876
c) Equity Warrants	3	9,00,00,000		4,72,10,000
d) 10% Fully Convertible Debentures		<u>13,99,99,800</u>	1,25,54,29,461	<u>13,99,99,800</u>
<b>2. Loan Funds</b>				
a) Secured Loans	4	2,13,94,40,927		86,16,18,711
b) Unsecured Loans	5	<u>19,08,07,882</u>	2,33,02,48,809	<u>13,16,25,453</u>
<b>3. Deferred Tax Liabilities (Net)</b>			2,55,37,972	4,21,63,466
<b>TOTAL</b>			<u>3,61,12,16,242</u>	<u>1,88,44,64,306</u>
<b>II. APPLICATION OF FUNDS</b>				
<b>1. Fixed Assets</b>				
a) Gross Block	6	1,59,15,30,271		1,52,77,49,974
b) Less: Depreciation		<u>36,05,39,834</u>		<u>26,06,33,660</u>
c) Net Block		1,23,09,90,437		1,26,71,16,314
d) Capital Work in Progress	7	<u>1,87,46,67,842</u>	3,10,56,58,279	<u>26,21,51,603</u>
<b>2. Current Assets, Loans and Advances</b>				
a) Inventories	8	52,33,55,155		34,72,89,319
b) Sundry Debtors		25,23,78,315		32,25,92,523
c) Cash and Bank Balances		6,69,51,204		3,73,37,897
d) Loans & Advances		<u>24,90,23,720</u>		<u>17,37,41,971</u>
<b>(A) 1,09,17,08,394</b>				88,09,61,710
<b>Less: Current Liabilities and Provisions</b>				
a) Current Liabilities	9	57,86,65,070		52,30,12,666
b) Provisions		<u>74,85,361</u>		<u>53,36,136</u>
<b>(B) 58,61,50,431</b>				52,83,48,802
<b>Net Current Assets</b>			<b>(A-B) 50,55,57,963</b>	35,26,12,908
<b>3. Miscellaneous Expenditure</b>				
(To the extent not written off or adjusted)	10		—	25,83,481
<b>TOTAL</b>			<u>3,61,12,16,242</u>	<u>1,88,44,64,306</u>
<b>Notes on Accounts</b>				
	19			

The Schedules referred to above form an integral part of the Balance Sheet

As per our report of even date annexed hereto

for S C VASUDEVA & CO.  
Chartered Accountants

Sd/-  
Varinder Gupta  
Chairman and Managing Director

Sd/-  
Sanjiv Mohan  
Partner  
M.No. 86066

Sd/-  
Raj Kumar Thukral  
Executive Director

For and on behalf of the Board

Sd/-  
Dimple Gupta  
Director

Sd/-  
Parminder Singh Cheema  
Director

Sd/-  
Krishan Singla  
Vice President and  
Company Secretary

Sd/-  
Rakesh Mahajan  
President  
(Finance)

Place : Ludhiana  
Dated : June 30, 2009

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009**

Particulars	Schedule No.	Year ended March 31, 2009 Rs	Year ended March 31, 2008 Rs
<b>INCOME</b>			
Gross Turnover		3,34,13,72,967	3,60,99,34,182
Less: Excise Duty		32,27,88,307	42,35,14,048
Net Turnover		3,01,85,84,660	3,18,64,20,134
Other Income	11	3,33,50,885	36,17,504
		<u>3,05,19,35,545</u>	<u>3,19,00,37,638</u>
<b>EXPENDITURE</b>			
Raw Material Consumed	12	2,22,98,56,105	2,26,57,14,594
Manufacturing Expenses	13	38,47,68,000	38,10,35,914
Personnel Expenses	14	8,13,80,648	8,28,85,288
Administrative and Other Expenses	15	3,61,27,044	3,15,83,856
Financial Expenses	16	14,91,95,018	12,95,84,852
Selling and Distribution Expenses	17	9,66,92,607	12,44,34,059
(Increase)/Decrease in Work in Process and Finished Goods	18	(12,77,86,426)	(7,01,47,562)
Increase/(Decrease) in Excise Duty on Finished Goods		(92,91,591)	69,91,584
Depreciation	6	10,00,16,849	7,42,88,478
		<u>2,94,09,58,254</u>	<u>3,02,63,71,063</u>
Profit for the year before tax		11,09,77,291	16,36,66,575
Less : Provision for taxation			
a) Current Tax		1,24,98,949	1,85,88,814
b) MAT Credit Entitlement		(1,24,98,949)	(1,85,88,814)
c) Fringe Benefit Tax		6,60,000	6,13,000
d) Deferred Tax		(1,66,25,494)	3,94,20,256
		<u>12,69,42,785</u>	<u>12,36,33,319</u>
Profit after tax		12,69,42,785	12,36,33,319
Balance carried to the Balance Sheet		12,69,42,785	12,36,33,319
<b>Earning Per Share</b> (Equity shares, nominal value Rs10/- each)			
Refer note no. 21 of Schedule 19 "Notes on Accounts"			
- Basic		7.56	10.26
- Diluted		7.27	7.60
- Cash		12.29	18.38

**Notes on Accounts**

19

The Schedules referred to above form an integral part of the Profit and Loss Account

As per our report of even date annexed hereto

for S C VASUDEVA & CO.  
Chartered AccountantsSd/-  
Varinder Gupta  
Chairman and Managing DirectorSd/-  
Sanjiv Mohan  
Partner  
M.No. 86066Sd/-  
Raj Kumar Thukral  
Executive Director

For and on behalf of the Board

Sd/-  
Dimple Gupta  
DirectorSd/-  
Parminder Singh Cheema  
DirectorSd/-  
Krishan Singla  
Vice President and  
Company SecretarySd/-  
Rakesh Mahajan  
President  
(Finance)Place : Ludhiana  
Dated : June 30, 2009

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

Particulars	As at March 31, 2009 Rs	As at March 31, 2008 Rs
<b>SCHEDULE 1: SHARE CAPITAL</b>		
<b>Authorised</b>		
2,50,00,000 (Previous Year 2,50,00,000) Equity Shares of Rs 10/- each	25,00,00,000	25,00,00,000
50,00,000 (Previous Year - 50,00,000) Preference Shares of Rs 10/- each	5,00,00,000	5,00,00,000
	<u>30,00,00,000</u>	<u>30,00,00,000</u>
<b>Issued, Subscribed and Paid-up</b>		
1,81,50,000 (Previous Year 1,33,80,000) Equity Shares of Rs 10/- each	18,15,00,000	13,38,00,000
7% 50,00,000 (Previous Year - 50,00,000) Non Cumulative Preference Shares of Rs 10/- each	5,00,00,000	5,00,00,000
	<u>23,15,00,000</u>	<u>18,38,00,000</u>
<b>SCHEDULE 2 : RESERVES &amp; SURPLUS</b>		
<b>Capital Reserve</b>	1,05,45,651	1,05,45,651
<b>Share Premium</b>		
- As per last account	23,26,50,000	6,30,00,000
- Additions during the year	18,89,40,000	16,96,50,000
	<u>42,15,90,000</u>	<u>23,26,50,000</u>
<b>Surplus i.e. balance as per annexed in Profit and Loss account</b>		
- As per last accounts	23,48,51,225	11,22,65,679
Less : Transitional adjustment for employee benefits	—	(10,47,773)
- Addition during the year	12,69,42,785	12,36,33,319
	<u>36,17,94,010</u>	<u>23,48,51,225</u>
	<u>79,39,29,661</u>	<u>47,80,46,876</u>
<b>SCHEDULE 3 : EQUITY WARRANTS</b>		
Nil (previous year 57,00,000) equity warrants, allotted on preferential basis, carrying an option to the holder of such warrants to subscribe to one equity share of Rs 10/- each at a premium of Rs 32/- per share for every warrant held, within 18 months from the date of allotment, i.e. from August 21, 2007 (previous year 12.51% of price fixed has been received)	—	2,99,60,000
12,00,000 (previous year 23,00,000) equity warrants, allotted on Preferential basis, carrying an option to the holder of such warrants to subscribe to one equity share of Rs 10/- each at a premium of Rs 65/- per share for every warrant held, with 18 months from the date of allotment, i.e. from October 22, 2007 (previous year 10% of price fixed has been received)	9,00,00,000	1,72,50,000
	<u>9,00,00,000</u>	<u>4,72,10,000</u>



Particulars	As at	
	March 31, 2009 Rs	March 31, 2008 Rs
<b>SCHEDULE 4 : SECURED LOANS</b>		
<b>Loans and advances from banks</b>		
<b>Working Capital Facilities</b> *		
Punjab National Bank	13,74,27,315	11,43,48,062
Allahabad Bank	5,13,39,320	3,46,54,516
IDBI Bank Ltd	2,98,09,699	—
State Bank of India	2,74,25,782	—
Oriental Bank of Commerce	96,00,000	2,02,09,956
<b>Term Loans</b> **		
Punjab National Bank	92,40,88,428	38,46,32,933
Allahabad Bank	48,61,96,271	16,69,95,086
IDBI Bank Ltd	27,54,93,123	12,48,31,123
State Bank of India	19,39,60,163	—
Oriental Bank of Commerce	—	1,23,65,520
<b>Other loans and advances</b> ***		
Vehicle Loans	41,00,826	35,81,515
	<b>2,13,94,40,927</b>	<b>86,16,18,711</b>

\* Working Capital Limits from the banks is secured by way of first charge on all present and future finished goods, work-in-process, raw materials, stores & spares and book debts and further secured by personal guarantee of the Promoters Director.

\*\* Term loans from Banks are secured by way of equitable mortgage of all the present and future immovable properties of the Company rank pari passu charge by way of hypothecation of all the Company's movable properties, save and except Book Debts but including movable machinery, spares, tools and accessories both present and future subject to prior charges created / to be created in favour of the Company's Bankers on specified movable properties for securing borrowings for working capital requirements. The term loans are further secured by the personal guarantee of the Promoter Director.

\*\*\* The vehicle loans are secured by hypothecation of vehicles purchased against such loans.

Amount due for repayment of term loans within one year Rs 1567.39 Lacs, (previous year Rs 1487.99 lacs)

**SCHEDULE 5 : UNSECURED LOANS**

Other Loans and Advances from:

Directors	2,76,708	2,76,708
Others	19,05,31,174	13,13,48,745
	<b>19,08,07,882</b>	<b>13,16,25,453</b>

**SCHEDULE 6 : FIXED ASSETS**

(Amount in Rs)

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at April, 01 2008	Additions during the year	Sale/ Adjustments	As at March 31, 2009	Upto April 01, 2008	For the year	Adjustment	Upto March 31, 2009	As at March 31, 2009	As at March 31, 2008
Land										
- Freehold	3,21,69,124	1,93,94,741	—	5,15,63,865	—	—	—	—	5,15,63,865	3,21,69,124
- Leasehold	25,24,273	—	—	25,24,273	3,69,937	43,522	—	4,13,459	21,10,814	21,54,336
Buildings	16,33,95,198	69,70,345	—	17,03,65,543	84,95,604	52,63,207	—	1,37,58,811	15,66,06,732	15,48,99,594
Plant and Machinery	1,31,92,58,611	3,17,25,983	56,801	1,35,09,27,793	24,78,75,694	9,30,76,426	42,136	34,09,09,984	1,01,00,17,809	1,07,13,82,917
Furniture and Fixtures	27,34,854	29,56,308	—	56,91,162	20,16,954	7,03,312	—	27,20,266	29,70,896	7,17,900
Vehicles	76,67,914	31,69,711	3,79,990	1,04,57,635	18,75,471	9,30,382	68,539	27,37,314	77,20,321	57,92,443
Total	1,52,77,49,974	6,42,17,088	4,36,791	1,59,15,30,271	26,06,33,660	10,00,16,849	1,10,675	36,05,39,834	1,23,09,90,437	1,26,71,16,314
Previous year	96,24,84,527	56,73,09,145	20,43,698	1,52,77,49,974	18,71,71,534	7,42,88,478	8,26,352	26,06,33,660	1,26,71,16,314	



Particulars	As at March 31, 2009 Rs	As at March 31, 2008 Rs
<b>SCHEDULE 7 : CAPITAL WORK-IN-PROGRESS</b>		
Building under construction	15,01,89,978	1,44,84,070
Machinery under erection	1,49,07,28,662	13,53,25,849
Capital Advances	8,75,19,871	9,75,96,774
Project and Pre-Operative Expenses (Pending Allocation)	14,62,29,331	1,47,44,910
	<u>1,87,46,67,842</u>	<u>26,21,51,603</u>
<b>SCHEDULE 8 : CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>1. CURRENT ASSETS</b>		
<b>A. Inventories</b>		
Stores & Spares	3,75,55,740	5,71,34,346
Raw Material	2,70,15,587	4,00,70,364
Work-in-process	31,81,77,643	13,92,55,068
Finished Goods	5,76,46,822	10,87,82,971
Material in transit	<u>8,29,59,363</u>	<u>20,46,570</u>
	52,33,55,155	34,72,89,319
<b>B. Sundry Debtors</b>		
(Unsecured, considered good unless otherwise stated)		
a) Debts outstanding for a period exceeding six months		
- Considered good	1,45,90,441	1,45,43,920
- Considered doubtful	5,35,346	—
	1,51,25,787	1,45,43,920
Less: Allowances for doubtful debts	<u>5,35,346</u>	<u>—</u>
	1,45,90,441	1,45,43,920
b) Other debt: Considered good	<u>23,77,87,874</u>	<u>30,80,48,603</u>
	25,23,78,315	32,25,92,523
<b>C. Cash and Bank Balances</b>		
Cash in hand	33,05,547	61,90,616
Balances with Scheduled Banks in Current Accounts	23,17,503	31,27,281
Fixed Deposit (held as Margin Money)	<u>6,13,28,154</u>	<u>2,80,20,000</u>
	6,69,51,204	3,73,37,897
<b>2. LOANS AND ADVANCES</b>		
(Unsecured and considered good)		
Advances recoverable in cash or in kind or for value to be received	1,30,48,139	1,13,72,180
Balances with Govt. Authorities on Current Account	18,69,36,542	12,58,29,701
MAT Credit Entitlement	<u>4,90,39,039</u>	<u>3,65,40,090</u>
	<u>1,09,17,08,394</u>	<u>17,37,41,971</u>
	1,09,17,08,394	88,09,61,710
<b>SCHEDULE 9 : CURRENT LIABILITIES AND PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors - Trade		
- Dues of Micro, Small and Medium Enterprises	—	—
- Others	41,52,56,980	41,33,08,040
Sundry Creditors - Capital		
- Dues of Micro, Small and Medium Enterprises	—	—
- Others	11,81,80,443	5,99,13,231
Other Liabilities	4,11,60,210	4,73,51,824
Interest accrued but not due on loans	<u>40,67,437</u>	<u>24,39,571</u>
	<u>57,86,65,070</u>	<u>52,30,12,666</u>
<b>PROVISIONS</b>		
Current Tax	49,08,739	39,99,698
Employee Benefits	<u>25,76,622</u>	<u>13,36,438</u>
	74,85,361	53,36,136
	<u>58,61,50,431</u>	<u>52,83,48,802</u>
<b>SCHEDULE 10 : MISCELLANEOUS EXPENDITURE (TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED)</b>		
Deferred Revenue Expenses	—	25,83,481
	—	<u>25,83,481</u>

Particulars	Year ended March 31, 2009 Rs	Year ended March 31, 2008 Rs
<b>SCHEDULE 11 : OTHER INCOME</b>		
Interest received (TDS Rs 9.39 lacs, previous year Rs 5.76 lacs)	64,82,547	29,53,482
Miscellaneous	20,65,393	4,84,022
Equity Warrants forfeited	96,42,000	—
Rent received	1,80,000	1,80,000
Exchange rate fluctuation	1,49,80,945	—
	<u>3,33,50,885</u>	<u>36,17,504</u>
<b>SCHEDULE 12 : RAW MATERIAL CONSUMED</b>		
<b>Opening Stocks</b>		
Raw Material - Indegenous	3,85,41,340	7,07,29,866
Raw Material - Imported	15,29,024	11,86,349
Total Opening Stocks	4,00,70,364	7,19,16,215
<b>Add : Purchases</b>		
Raw Material - Indegenous	1,70,14,73,809	2,17,64,98,513
Raw Material - Imported	51,53,27,519	5,73,70,230
Total Purchases	2,21,68,01,328	2,23,38,68,743
<b>Less : Closing Stocks</b>		
Raw Material - Indegenous	1,66,44,769	3,85,41,340
Raw Material - Imported	1,03,70,818	15,29,024
Total Closing Stocks	2,70,15,587	4,00,70,364
	<u>2,22,98,56,105</u>	<u>2,26,57,14,594</u>
<b>SCHEDULE 13 : MANUFACTURING EXPENSES</b>		
Power & Fuel	33,72,79,215	33,20,79,490
Stores & Spares Consumed	4,14,96,706	4,27,23,291
Repairs to Plant & Machinery	10,95,002	11,48,313
Job Charges	48,97,077	50,84,820
	<u>38,47,68,000</u>	<u>38,10,35,914</u>
<b>SCHEDULE 14 : PERSONNEL EXPENSES</b>		
Salaries and Wages	6,95,72,248	7,17,40,720
Bonus	33,72,619	33,02,167
Contribution to Funds	60,82,310	54,01,620
Staff and Labour Welfare	20,72,368	19,63,031
Punjab Labour Welfare Fund	18,751	14,248
Staff Recruitment Expenses	2,15,042	3,43,942
Training Expenses	47,310	1,19,560
	<u>8,13,80,648</u>	<u>8,28,85,288</u>



Particulars	Year ended March 31, 2009 Rs	Year ended March 31, 2008 Rs
<b>SCHEDULE 15 : ADMINISTRATIVE AND OTHER EXPENSES</b>		
Rent	12,67,124	13,54,872
Lease Rent	1,90,592	1,91,845
Insurance	47,33,566	65,95,490
Printing and Stationery	18,24,684	12,36,305
Postage, Telegram and Telephone	23,96,761	22,96,698
Traveling and Conveyance	28,98,831	26,98,965
Directors' Traveling	14,60,848	2,69,682
Director's Remuneration	34,55,344	18,92,084
Directors' Sitting Fee	2,67,500	1,60,000
Auditor's Remuneration	2,35,012	1,19,019
Cost Auditor's Remuneration	32,220	36,884
Internal Auditor's Remuneration	1,30,186	1,25,698
Fees and Taxes	10,25,120	14,75,674
Legal and Professional Charges	15,28,296	18,51,259
Repairs to Building	15,08,295	7,63,041
Other Repairs	15,79,972	12,23,073
Vehicle Maintenance	18,42,014	12,28,555
Charity and Donation	31,800	4,98,480
Electricity Expenses	9,71,715	9,64,777
R&D Expenses	7,80,962	6,97,980
Loss on Sale of Fixed Assets	1,11,115	3,20,346
Miscellaneous Expenditure Written off	—	27,30,393
Prior Period Expenses	30,59,182	10,13,625
Allowances for Doubtful Debts	5,35,346	—
Miscellaneous Expenses	42,60,559	18,39,111
	<u>3,61,27,044</u>	<u>3,15,83,856</u>
<b>SCHEDULE 16 : FINANCIAL EXPENSES</b>		
Interest on Term Loans	7,29,18,971	7,29,48,892
Interest on others	6,00,09,219	4,32,26,065
Bank and other charges	1,62,66,828	1,34,09,895
	<u>14,91,95,018</u>	<u>12,95,84,852</u>
<b>SCHEDULE 17 : SELLING &amp; DISTRIBUTION EXPENSES</b>		
Rebate and Discount	1,33,55,483	1,73,61,358
Freight and Octroi Outward	5,90,39,455	7,76,72,996
Advertisement	1,26,390	5,66,176
Business Promotion	23,44,951	2,33,840
Entertainment Expenses	41,159	20,599
Export Expenses	9,49,208	21,83,794
Packing and Forwarding Charges	1,29,334	12,44,652
Commission	2,07,06,627	2,23,39,009
Exchange rate fluctuation	—	28,11,635
	<u>9,66,92,607</u>	<u>12,44,34,059</u>
<b>SCHEDULE 18 : (INCREASE)/DECREASE IN WORK IN PROCESS AND FINISHED GOODS</b>		
<b>Opening Stocks</b>		
Work-in-Process	13,92,55,068	13,04,07,916
Finished Goods	10,87,82,971	4,74,82,561
	<u>24,80,38,039</u>	<u>17,78,90,477</u>
<b>Less : Closing Stocks</b>		
Work-in-Process	31,81,77,643	13,92,55,068
Finished Goods	5,76,46,822	10,87,82,971
	<u>37,58,24,465</u>	<u>24,80,38,039</u>
(Increase)/Decrease in work-in-process and finished goods	<u>(12,77,86,426)</u>	<u>(7,01,47,562)</u>

**SCHEDULE 19 : NOTES ON ACCOUNTS****1. Significant Accounting Policies****A. Accounting Convention**

The accounts are prepared on accrual basis under the historical cost convention in accordance with the applicable Accounting Standards referred to in sub section (3C) of Section 211 and other relevant provisions of the Companies Act, 1956.

**B. Revenue Recognition****I. Sales**

Sales comprise sale of goods and export incentives. Revenue from sale of goods is recognised:

- a. When all significant risks and rewards of ownership is transferred to the buyer and the Company retains no effective control of goods transferred to a degree usually associated with ownership and;
- b. No significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of the goods.

**II. Interest**

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

**III. Benefits under Duty Entitlement Pass Book Scheme (DEPB)**

The revenue in respect of DEPB benefit is recognised on post export basis.

**IV. Insurance and other claims**

Revenue in respect of the claims are recognized when no significant uncertainty exists with regard to the amount to be realized and the ultimate collection thereof.

**C. Employee Benefits****i. Short Term Employee Benefits**

Short term employee benefits are recognised as an expense on an undiscounted basis in the Profit and Loss Account of the year in which the related service is rendered.

**ii. Post Employment Benefits****i. Defined Contribution Plans  
Provident Fund**

Contributions to provident fund are made in accordance with the provisions of the Employee's Provident Fund and Miscellaneous Provisions Act, 1952 and are charged to Profit and Loss account every year.

**ii. Defined Benefit Plans****1. Gratuity**

Provision for gratuity liability of employees is made on the basis of actuarial valuation as at close of the year.

**2. Leave with Wages**

Provision for leave with wages and long

term compensated absences is made on the basis of actuarial valuation as at close of the year.

**iii. The actuarial gain/loss**

The actuarial gain/loss is recognised in statement of Profit and Loss Account.

**D. Fixed Assets**

Fixed assets are stated at historical cost less accumulated depreciation.

**E. Expenditure incurred during construction period**

In respect of new/major expansion, the indirect expenditure incurred during construction period up to the date of commencement of commercial production, which is attributable to the construction of the project, is capitalized on various categories of fixed assets on proportionate basis.

**F. Depreciation**

- i) Depreciation on all fixed assets is provided on the straight line method in accordance with and in the manner specified in Schedule XIV to the Companies Act, 1956.
- ii) Depreciation on assets costing Rs 5,000/- or below is charged @ 100% per annum.
- iii) The lease hold land is amortised over the lease period.

**G. Inventories**

Inventories are valued at cost or net realisable value which ever is lower. The cost in respect of various items of inventories is computed as under:

- |                      |  |
|----------------------|--|
| a) Raw Material      | First in First out method plus direct expenses.  |
| b) Stores and Spares | Weighted Average method plus direct expenses.  |
| c) Work-in-process   | Cost of material plus appropriate share of overheads thereon at different stage of completion on First in First out method.                                |
| d) Finished Goods    | Cost of material plus conversion cost, packing cost, excise duty and other overheads incurred to bring the goods to their present conditions and location. |

**H. Cenvat Credit**

Cenvat credit on excise duty paid on inputs, capital assets and input services is taken in accordance with the Cenvat Credit Rules, 2004.

**I. Borrowing Costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of cost of such asset. Other borrowing costs are recognised as an expense in the period in which these are incurred.

**J. Foreign Exchange Transactions**

- i. Foreign currency transactions are recorded on the



initial recognition at the rate prevailing on the date of transaction.

- ii. Foreign currency monetary items are reported using the closing rate. Exchange differences arising on the settlement of monetary items or on reporting the same at the closing rate as at the balance sheet date are recognised as income or expense in the period in which these arise.

#### K. Accounting for Taxes on Income and Fringe Benefit Tax

- i. Tax expense comprises of current tax, deferred tax and fringe benefit tax. Current tax is the aggregate amount of income tax determined to be payable in respect of taxable income for the period. Deferred Tax is the tax effect of timing differences between taxable income and accounting income for the period that originate in one period and are capable of reversal in one or more subsequent periods.
- ii. Fringe benefit tax is provided on the aggregate amount of fringe benefit determined in accordance with the provisions of the Income Tax Act, 1961.

#### L. Impairment of Assets

At each Balance Sheet date an assessment is made whether any indication exists that an asset has been impaired, if any such indication exists, an impairment loss i.e. the amount by which the carrying amount of an asset exceeds its recoverable amount is provided in the books of account.

#### M. Earning Per Share

Basic Earning per share is computed by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted earning per share is computed by taking into account weighted average number of equity shares outstanding during the period and the weighted average number of equity shares which would be issued on conversion of all dilutive potential equity shares into equity shares.

#### N. Provisions and Contingent Liabilities

- i. Provisions are recognised for liabilities that can be measured by using a substantial degree of estimation, if:
- the Company has present obligation as a result of a past event;
  - a probable outflow of resources embodying economic benefits is expected to settle the obligation; and
  - the amount of the obligation can be reliably estimated.
- ii. Contingent liability is disclosed in the case of:
- a present obligation arising from a past event when it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - a possible obligation, unless the probability of outflow in settlement is remote.

#### 2. Contingent liabilities not provided for

No outflow is expected in view of the past history relating to

these items.

(Rs in lacs)

Particulars	As at March 31, 2009	As at March 31, 2008
Claims against the Company not acknowledged as debt	38.70	44.29
Letter of credit outstanding	2,689.41	301.21
Bills discounted with bankers against irrevocable letter of credit	630.10	349.69

3. Estimated amount of contracts remaining to be executed on capital account (net of Advances)	1,661.77	3,260.47
--	----------	----------

#### 4. Auditors' Remuneration (Amount in Rs)

Particulars	Year ended March 31, 2009	Year ended March 31, 2008
Statutory Audit Fee	1,35,000	28,000
Tax Audit Fee	50,000	25,000
Certification / Company Law / Other Matters	35,000	56,326
Reimbursement of expenses	15,012	9,693
<b>Total</b>	<b>2,35,012</b>	<b>1,19,019</b>

#### 5. Managerial Remuneration paid/payable (Rs)

Particulars	Year ended March 31, 2009	Year ended March 31, 2008
<b>Chairman cum Managing Director</b>		
Salary	9,60,000	7,55,000
Contribution to Provident Fund	1,15,200	90,600
Other Allowances	12,35,824	10,46,484
<b>Executive Director*</b>		
Salary	4,76,800	—
Contribution to Provident Fund	57,216	—
Other Allowances	6,10,304	—
<b>Total Remuneration</b>	<b>34,55,344</b>	<b>18,92,084</b>

\*Mr Raj Kumar Thukral has been appointed as Executive Director of the Company w.e.f. July 31, 2008 and remuneration of executive director is approved by shareholders in its meeting held on September 20, 2008.

Provisions for gratuity liability and leave encashment have not been considered, since these are actuarially determined on overall basis.

6. Statement showing computation of net profit in accordance with section 349 read with Section 198 of the Companies Act, 1956

(Amount in Rs)

Particulars	Year ended March 31, 2009	Year ended March 31, 2008
Profit before tax	<b>11,09,77,291</b>	16,36,66,575
Add : Managerial Remuneration	<b>34,55,344</b>	18,92,084
Add: Loss on sale of fixed assets	<b>1,11,115</b>	3,20,346
Profit under Section 349 of the Companies Act, 1956	<b>11,45,43,750</b>	16,58,79,005
Maximum permissible limit @10%	<b>1,14,54,375</b>	1,65,87,900
Remuneration paid / payable	<b>34,55,344</b>	18,92,084

7. In the opinion of the Board of Directors and to the best of their knowledge and belief, the value on realisation of current assets, loans and advances in the ordinary course of business will not be less than the amount at which they are stated in the balance sheet.
8. (a) Deferred tax liability as on March 31, 2009 is as under:

(Rs in lacs)

Particulars	As at March 31, 2009	As at March 31, 2008
Deferred tax liability on account of timing difference due to depreciation	<b>2,026.05</b>	1928.50
Less: Deferred tax assets on account of unabsorbed depreciation and carried forward losses	<b>1,765.28</b>	1501.48
Less: Deferred tax asset on adoption of AS-15	<b>5.39</b>	5.39
Net Deferred Tax Liability	<b>255.38</b>	421.63

The deferred tax assets recognised in earlier years is being carried forward as there is virtual certainty that sufficient future taxable Income will be available against which such deferred tax assets can be realised. The evidence that has been considered is the profit of the Company during the current financial year up to May

31, 2009. Further, deferred tax assets amounting to Rs 277.19 lacs recognised in earlier years has been realised against the taxable income for the financial year ended March 31, 2009.

- (b) Deferred tax for the year comprises of the following:-

Particulars	Amount Rs in lacs
Deferred tax liability on account of depreciation	<b>97.54</b>
Add: Deferred tax assets recognised in earlier years on account of unabsorbed depreciation and carried forward losses now realised therefore written off	<b>277.19</b>
Less: Deferred tax assets recognised on account of unabsorbed depreciation and carry forward losses	<b>540.98</b>
Net deferred tax for the year	<b>(166.25)</b>

9. In accordance with the Accounting Standard (AS) -28 on "Impairment of Assets", the Company has assessed as on the balance sheet date, whether there are any indications (listed in paragraph 8 to 10 of the Standard) with regard to the impairment of the assets. Based on such assessment, it has been ascertained that no potential loss is present and therefore, formal estimate of recoverable amount has not been made. Accordingly no impairment loss has been provided in the books of account.

#### 10. Increase in Share Capital

The Company has allotted 47,70,000 equity shares during the year as per details given below:

- 18,85,500 equity shares of Rs 10/- at a premium of Rs 32/- per share on September 06, 2008.
- 13,30,500 equity shares of Rs 10/- at a premium of Rs 32/- per share on October 30, 2008.
- 11,00,000 equity shares of Rs 10/- at a premium of Rs 65/- per share on October 30, 2008.
- 4,54,000 equity shares of Rs 10/- at a premium of Rs 32/- per share on February 20, 2009.

The above said allotment was made in accordance with SEBI (Disclosures & Investor Protection) Guidelines, 2000.

#### 11. Equity Warrants/ Fully Convertible Debentures

- The Company had issued 23,00,000 warrants carrying option to convert each warrant into one equity shares of Rs 10/- each at a premium of Rs 65/- per share, within a period of 18 months from the date of allotment i.e. October 22, 2007 as per SEBI guidelines and out of which 11,00,000 warrants have been converted into equity shares on October 30, 2008.
- The Company had issued 13,99,998 Fully Convertible Debentures with coupon rate of 10% per annum of Rs 100/- each which will be convertible into one equity shares of Rs 10/- each at a premium of Rs 65/- per share, within a period of 18 months from the date of allotment i.e. October 22, 2007 as per SEBI guidelines.



12. The Company on August 21, 2007 had issued 57,00,000 warrants, carrying an option to holder of such warrants to subscribe to one equity share of Rs 10/- of every warrant held, within 18 months from the date of allotment of warrants, at premium of Rs 32/- per share. The allottees of 20,30,000 warrants have not exercised their option to convert these warrants to equity shares, the Company, in accordance with SEBI guidelines for preferential issue, forfeited Rs 96.42 lacs, the amount paid by the allottees for these warrants. The said forfeited amount has been shown separately being extra ordinary item under the Schedule No.11 "Other income".
13. The Company has identified Micro, Small and Medium Enterprises on the basis of information made available. There are no dues to Micro, Small and Medium Enterprises, that are reportable under the Micro, Small and Medium Enterprises Development Act, 2006.
14. Rs 25,83,481/- is entire unamortized amount of deferred revenue expenditure is written off during the year, hitherto such expenditure were amortised over a period of five years. This change has had the impact of understating the profit for the year to that extent.

**15. Project and Pre-operative Expenses (pending allocation to fixed assets) includes:**

**(Rs in lacs)**

Particulars	As at March 31, 2009	As at March 31, 2008
Opening Balance pending for allocation	147.45	374.50
Expenses during the year		
Power and Fuel	21.66	108.71
Personnel Expenses	143.82	15.73
Insurance	13.06	0.33
Travelling and Conveyance	13.97	7.95
Legal & Professional Charges	34.48	31.95
Financial Expenses	1,070.53	243.76
Freight	7.34	0.78
Commission	0.00	28.00
Miscellaneous	9.99	2.78
Total Project and Pre-operative Expenses during the year	1,314.85	439.99
Less: Allocated to Fixed Assets during the year	--	667.04
Balance pending for allocation	1,462.30	147.45

16. Borrowing cost capitalised (included under head capital work in progress) during the year is Rs 1,070.53 lacs (previous year Rs 243.76 lacs)
17. The foreign currency exposure of the Company as on March 31, 2009 is as under:  
Foreign Currency Exposure remaining un-hedged at the year end:  
Against Imports (Creditors) : USD 19,64,006  
Against Exports (Debtors) : USD 6,25,079
18. Excise duty attributable to finished goods sold during the year is reduced from gross turnover in the Profit and Loss Account. Increase/ (Decrease) in excise duty on differential between opening and closing stock of finished goods is also disclosed separately in the Profit and Loss account.

**19. Prior Period Expenses**

**(Rs in lacs)**

Particulars	Year ended March 31, 2009	Year ended March 31, 2008
Deferred Revenue Expenditure written off	25.84	—
Provision for Leave Encashment	2.82	—
Provision for Medical Leave	1.93	—
Administrative Expenses	—	(0.88)
Selling Expenses	—	10.77
Personnel Expenses	—	0.25
Total (shown in Schedule No.15 "Administrative and other expenses")	30.59	10.14



**20. Related Party Disclosure:****a) Name of related parties and description of relationship**

1. Enterprises over which Key Management Personnel is able to exercise significant influence:	G. Drugs and Pharmaceuticals Limited NM Mercantiles Limited IOL Lifesciences Limited Mayadevi Polycot Limited
2. Key Management Personnel:	Mr Varinder Gupta Mr Raj Kumar Thukral
3. Relatives of Key Management Personnel:	Mrs Dimple Gupta

**b) Description of the nature of transactions with the related parties:**

(Rs in lacs)

Particulars	Enterprises over which KMP is able to exercise significant influence		Key Management Personnel		Relatives of KMP	
	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2008
Sale of goods	70.99	29.65	—	—	—	—
Purchase and receiving of services	46.37	49.70	—	—	—	—
Managerial Remuneration	—	—	34.55	18.92	—	—
Loan taken (including opening balance)	1,017.00	—	—	—	—	—
Loan Repayment	—	—	—	—	—	—
Closing Balance	1,017.00	—	—	—	—	—
Amount received during the year against equity warrants	1,994.60	883.40	—	—	—	—
Equity Shares Allotted	1,344.00	634.00	—	—	—	—
Director Sitting Fee	—	—	—	—	0.25	0.18

**21. Earning Per Share**

The Earning Per Share (EPS) disclosed in the Profit and Loss Account have been calculated as under:

Particulars	Year ended March 31, 2009	Year ended March 31, 2008
Profit attributable to Equity Shareholders (Rs lacs)	1,269.43	1,236.33
Less: Equity warrant forfeited being extraordinary item (Rs lacs)	96.42	--
Profit for the year before extraordinary item (Rs lacs)	1,173.01	1,236.33
Basic number of Equity Shares	1,81,50,000	1,33,80,000
Diluted number of Equity Shares	1,61,37,734	1,62,76,119
Weighted Average number of Equity Shares	1,55,17,877	1,20,49,071
Basic Earning per Share before extraordinary item (Rs)	7.56	10.26
Diluted Earning per Share before extraordinary item (Rs)	7.27	7.60
Basic Earning per Share after extraordinary item (Rs)	8.18	10.26
Diluted Earning per Share after extraordinary item (Rs)	7.87	7.60



**22. Employee Benefits**

The summarised position of post-employment benefits and long term employee benefits recognised in the Profit and Loss Account and Balance Sheet as required in accordance with Accounting Standard (AS) 15 are as under:

**A. Gratuity and Leave Encashment (Funded)**

(Rs in lacs)

Sr. No.	Particulars	Gratuity (Funded)		Leave Encashment (Funded)	
		Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2008
<b>a)</b>	<b>Change in the present value of the obligation</b>				
1.	Present value of obligation as at beginning of the year	<b>58.61</b>	47.01	<b>19.62</b>	18.37
2.	Current service cost	<b>12.40</b>	11.07	<b>8.38</b>	5.25
3.	Interest cost	<b>4.69</b>	3.77	<b>1.57</b>	1.47
4.	Benefits paid	<b>(3.09)</b>	(1.69)	<b>(3.14)</b>	(1.05)
5.	Actuarial (gain)/loss	<b>(4.97)</b>	(1.55)	<b>4.40</b>	(4.42)
6.	Present value of obligation as at close of the year	<b>67.64</b>	58.61	<b>30.83</b>	19.62
<b>b)</b>	<b>Change in Fair value of plan assets</b>				
1.	Fair value of plan assets as at beginning of the year	<b>45.25</b>	31.15	<b>16.80</b>	2.35
2.	Expected return in plan assets	<b>4.14</b>	2.85	<b>1.54</b>	0.22
3.	Contribution	<b>5.17</b>	12.64	<b>9.70</b>	14.72
4.	Benefits paid	<b>(3.09)</b>	(1.69)	<b>(3.14)</b>	1.05
5.	Actuarial gain/(loss)	<b>0.06</b>	0.31	<b>0.12</b>	0.57
6.	Fair value of plan assets as at close of the year	<b>51.53</b>	45.25	<b>25.02</b>	16.80
<b>c)</b>	<b>Net asset/(liability) recognised in the Balance Sheet</b>				
1.	Present value of the defined benefit obligation	<b>67.64</b>	58.61	<b>30.83</b>	19.62
2.	Fair value of plan assets	<b>51.53</b>	45.25	<b>25.02</b>	16.80
3.	Net asset/(liability) recognised in the balance sheet	<b>(16.11)</b>	(13.36)	<b>(5.81)</b>	(2.82)
<b>d)</b>	<b>Expenses recognised in the statement of Profit and Loss Account</b>				
1.	Current service cost	<b>12.40</b>	11.06	<b>8.38</b>	5.25
2.	Interest cost	<b>4.69</b>	3.77	<b>1.57</b>	1.47
3.	Expected return on plan assets	<b>(4.14)</b>	(2.85)	<b>(1.54)</b>	(0.22)
4.	Net actuarial (gain)/ loss recognised during the year	<b>(5.03)</b>	(1.86)	<b>4.28</b>	(4.98)
5.	Total Expense recognised in profit and loss account	<b>7.92</b>	10.12	<b>12.69</b>	1.52
<b>e)</b>	<b>Major categories of plan assets as a percentage of total plan assets</b>				
1.	Qualifying insurance policies	<b>100%</b>	100%	<b>100%</b>	100%
2.	Gratuity is administered through duly constituted and approved independent trust. The said trust has taken Group Gratuity Scheme with Life Insurance Corporation of India.				
3.	Leave encashment is administered through Group Leave Encashment Scheme with Life Insurance Corporation of India.				
4.	Future salary increases considered in actuarial valuation take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.				
5.	Basis used to determine expected rate of return on plan assets: The expected rate of return on plan assets is based on market expectation, at the beginning of the year, for returns over the entire life of the related obligation. The Gratuity contribution is invested in Group Gratuity-cum-Life Assurance Cash Accumulation Policy and the leave encashment contribution is invested in a Group Leave Encashment policy offered by Life Insurance Corporation (LIC) of India.				

Sr No	Particulars	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2008
<b>f)</b>	<b>Principal Actuarial assumptions at the Balance Sheet Date</b>				
1.	Discount rate (per annum)	8%	8%	8%	8%
2.	Rate of increase in compensation levels (per annum)	7%	7%	7%	7%
3.	Rate of return on plan assets (per annum)	9.15%	9.15%	9.15%	9.15%
4.	Expected average remaining working lives of employee (years)	27.72	28.15	27.72	28.15
5.	Method used	<b>Projected Unit Credit</b>	Projected Unit Credit	<b>Projected Unit Credit</b>	Projected Unit Credit

**B. Medical Leave Liability (unfunded)****(Rs in lacs)**

Sr No	Particulars	Year ended March 31, 2009
<b>a)</b>	<b>Changes in the present value of the obligation</b>	
1.	Present value of defined benefit obligation as at beginning of the year	1.94
2.	Current service cost	1.08
3.	Interest cost	0.15
4.	Benefits paid	—
5.	Actuarial (gain)/loss	0.67
6.	Present value of obligation as at close of the year	3.84
<b>b)</b>	<b>Changes in fair value of plan asset</b>	
1.	Fair value of plan assets as at beginning of the year	—
2.	Expected return in plan assets	—
3.	Contribution	—
4.	Benefits paid	—
5.	Actuarial gain/(loss)	—
6.	Fair value of plan assets as at close of the year	—
<b>c)</b>	<b>Net asset/(liability) recognised in the Balance Sheet</b>	
1.	Present value of the defined benefit obligation	3.84
2.	Fair value of plan assets	—
3.	Net asset/(liability) recognised in the Balance Sheet	(3.84)
<b>d)</b>	<b>Expenses recognised in the statement of Profit and Loss Account</b>	
1.	Current service cost	1.08
2.	Interest cost	0.15
3.	Expected return on plan assets	—
4.	Net actuarial (gain)/ loss recognised during the year	0.67
5.	Expenses recognised in Profit and Loss Account	1.90
<b>e)</b>	<b>Investment detail of funds</b>	<b>Not applicable</b>
<b>f)</b>	<b>Principal Actuarial assumptions at the Balance Sheet Date</b>	
1.	Discount rate (per annum)	8%
2.	Rate of increase in compensation levels (per annum)	7%
3.	Rate of return on plan assets (per annum)	—
4.	Expected average remaining working lives of employee (years)	27.72
5.	Method used	<b>Projected Unit Credit</b>
6.	This being the first year in which the Company has adopted the Accounting Standard 15 (Revised) on Employee benefits in respect of Medical Leave Liability, figures for the previous period have not been included.	

**23. Segment wise Revenue, Results and Capital Employed**

## 1) Segment information

a) The business segment comprises the following:

- Chemicals : Acetic Acid, Ethyl Acetate & Acetic Anhydride
- Drugs : Ibuprofen

b) Business segments have been identified based on the nature and class of the product &amp; services, their customers and assessment of differential risks and returns and financial reporting system within the Company.

c) Segment accounting policies: In addition to the significant accounting policies, applicable to the business as set out in Note 1 of schedule 19 "Notes on Accounts" the accounting policies in relation to segment accounting are as under:

i) Segment assets and liabilities

Segment assets include all operating assets used by a segment and consists principally of cash, debtors, inventories and fixed assets, net of allowances & provisions, which are reported as direct off set in the balance sheet. Segment liabilities include all operating liabilities and consist principally of creditors and accrued liabilities.

ii) Segment revenue and expenses

Joint revenue and expenses of segment are allocated amongst them on reasonable basis. All other segment revenue and expenses are directly attributable to the segments.

## 2) Detail of primary business segments:

(Rs in lacs)

Particulars	Chemicals		Drugs		Unallocated		Total	
	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2008
<b>Segment Revenue</b>								
External Sales	<b>21,292.58</b>	23,304.46	<b>8,791.08</b>	8,481.84	<b>82.36</b>	77.91	<b>30,166.02</b>	31,864.21
Inter Segment Sales	—	—	—	—	—	—	—	—
Other Income	—	—	—	—	<b>353.34</b>	36.17	<b>353.34</b>	36.17
Total Revenue	<b>21,292.58</b>	23,304.46	<b>8,791.08</b>	8,481.84	<b>435.70</b>	114.08	<b>30,519.36</b>	31,900.38
<b>Results</b>								
Segment Results	<b>1,663.99</b>	2,398.95	<b>560.87</b>	419.49	—	—	<b>2,224.86</b>	2,818.44
Unallocated Income (net of unallocated ex- penses)	—	—	—	—	—	—	<b>(376.86)</b>	(114.08)
Profit before tax & interest	—	—	—	—	—	—	<b>2,601.72</b>	2,932.52
Interest	—	—	—	—	—	—	<b>1,491.95</b>	1,295.85
Profit & Loss before tax	—	—	—	—	—	—	<b>1,109.77</b>	1,636.67
<b>Other Information</b>								
Segment Assets	<b>8,845.51</b>	9,140.75	<b>9,882.43</b>	9,085.58	—	—	<b>18,727.94</b>	18,226.33
Unallocated assets including capital work in progress	—	—	—	—	<b>23,245.72</b>	5,901.81	<b>23,245.72</b>	5,901.81
Total Assets	<b>8,845.51</b>	9,140.75	<b>9,882.43</b>	9,085.58	<b>23,245.72</b>	5,901.81	<b>41,973.67</b>	24,128.14
Segment Liabilities	<b>2,714.70</b>	3,099.34	<b>1,722.51</b>	1,671.07	—	—	<b>4,437.20</b>	4,770.41
Unallocated Liabilities	—	—	—	—	<b>1,424.30</b>	513.08	<b>1,424.30</b>	513.08
Total Liabilities	<b>2,714.70</b>	3,099.34	<b>1,722.51</b>	1,671.07	<b>1,424.30</b>	513.08	<b>5,861.50</b>	5,283.49
Net Capital employed	<b>6,130.82</b>	6,041.41	<b>8,159.92</b>	7,414.51	<b>21,821.42</b>	5,388.73	<b>36,112.16</b>	18,844.65
Capital Expenditure	<b>54.26</b>	255.74	<b>201.11</b>	5,075.31	<b>382.43</b>	321.60	<b>637.80</b>	5,652.65
Depreciation	<b>402.62</b>	544.29	<b>559.05</b>	198.59	<b>38.50</b>	—	<b>1,000.17</b>	742.88
Non Cash Expense other than depreciation	<b>24.39</b>	20.33	<b>6.21</b>	6.97	—	—	<b>30.59</b>	27.30

24. Information required by Para 3, 4C & 4D of part II of Schedule VI of the Companies Act, 1956. Particulars of Capacity, Production, Sales, Stocks and Raw Materials consumed.

**A. Licensed/Installed Capacity:**

Particulars	Unit	Licensed Capacity		Installed Capacity	
		As at March 31, 2009	As at March 31, 2008	As at March 31, 2009	As at March 31, 2008
Acetic Acid	TPA	N.A.	N.A.	50,000	50,000
Ethyl Acetate	TPA	N.A.	N.A.	33,000	33,000
Acetic Anhydride	TPA	N.A.	N.A.	12,000	12,000
Ibuprofen	TPA	N.A.	N.A.	3,600	3,600

**B. Actual Production**

Particulars	Unit	Year ended March 31, 2009	Year ended March 31, 2008
		Quantity	Quantity
Acetic Acid	MT	36,608*	50,851
Ethyl Acetate	MT	25,808	28,074
Acetic Anhydride	MT	10,730	11,413
Ibuprofen	MT	1,783	2,331

Notes

- \*Includes 31,642 MT (previous year 34,073 MT) Acetic Acid has been consumed for captive consumption, out of which 18,223 MT (previous year 19,737 MT) has been consumed for Ethyl Acetate process and 13,419 MT (previous year 14,336 MT) in Acetic Anhydride process.
- Licensed and installed capacity is on annual basis.
- Installed capacity has been certified by the Management and not verified by the Auditors, being a technical matter.

**C. Opening Stock of finished goods**

Particulars	Unit	Year ended March 31, 2009		Year ended March 31, 2008	
		Quantity	Value Rs	Quantity	Value Rs
Acetic Acid	MT	18	5,31,186	85	30,06,584
Ethyl Acetate	MT	68	30,91,957	256	1,24,06,002
Acetic Anhydride	MT	20	9,49,158	258	1,34,34,536
Ibuprofen	MT	242	10,34,12,825	45	1,86,35,439
Others			7,97,845		—
<b>Total</b>			<b>10,87,82,971</b>		<b>4,74,82,561</b>

**D. Closing Stock of finished goods**

Particulars	Unit	Year ended March 31, 2009		Year ended March 31, 2008	
		Quantity	Value Rs	Quantity	Value Rs
Acetic Acid	MT	10	3,67,797	18	5,31,186
Ethyl Acetate	MT	247	1,26,47,577	68	30,91,957
Acetic Anhydride	MT	72	39,84,501	20	9,49,158
Ibuprofen	MT	85	3,97,69,051	242	10,34,12,825
Others			8,77,896		7,97,845
<b>Total</b>			<b>5,76,46,822</b>		<b>10,87,82,971</b>

**E. Sales of goods dealt with by the Company**

Particulars	Unit	Year ended March 31, 2009		Year ended March 31, 2008	
		Quantity	Value Rs	Quantity	Value Rs
Acetic Acid	MT	7,773	30,98,27,650	16,845	63,23,49,470
Ethyl Acetate	MT	25,629	1,41,02,63,732	28,262	1,35,28,88,358
Acetic Anhydride	MT	10,678*	65,55,38,865	11,651	67,55,85,689
Ibuprofen	MT	1,940	89,81,81,499	2,134	89,37,84,757
Others			6,75,61,221		5,53,25,908
<b>Total</b>			<b>3,34,13,72,967</b>		<b>3,60,99,34,182</b>

\* Includes 2 MT loss during transit

**F. Purchase of goods**

Particulars	Unit	Year ended March 31, 2009		Year ended March 31, 2008	
		Quantity	Value Rs	Quantity	Value Rs
Acetic Acid (Purchase for consumption)	MT	2,799	8,69,58,829	—	—

**G. Raw Material Consumed**

Particulars	Unit	Year ended March 31, 2009		Year ended March 31, 2008	
		Quantity	Value Rs	Quantity	Value Rs
Alcohol – Indigenous	BL	4,52,44,586	1,08,36,82,805	7,71,02,240	1,44,63,19,296
Alcohol – Imported*	BL	1,51,83,030	36,58,61,467	—	—
Acetic Acid**	MT	2,799	8,69,58,829	—	—
Others***		—	55,27,28,746	—	78,86,66,861
– Indigenous					
Others***		—	14,06,24,258	—	3,07,28,437
– Imported*					
<b>Total</b>			<b>2,22,98,56,105</b>		<b>2,26,57,14,594</b>

\* Imported material includes import on High Seas basis.

\*\* Consumed for production of Ethyl Acetate and Acetic Anhydride.

\*\*\* Various chemicals for drugs and chemicals.

**H. Value of Imports calculated on CIF Basis**

Particulars	Year ended March 31, 2009	Year ended March 31, 2008
Raw Material	32,47,79,261	2,17,54,482
Capital Goods	1,40,19,186	NIL

**I. Expenditure in Foreign Currency**

Particulars	Year ended March 31, 2009 Value (Rs)	Year ended March 31, 2008 Value (Rs)
Travelling	1,87,368	1,66,415
Others	1,40,00,427	87,19,424

**J. Earnings in Foreign Exchange**

Particulars	Year ended March 31, 2009 Value (Rs)	Year ended March 31, 2008 Value (Rs)
Exports of Goods calculated on FOB value	36,88,82,480	45,42,78,841

**K. Consumption of Raw Materials and Stores & Spares**

(Amount in Rs)

Particulars	Year ended March 31, 2009		Year ended March 31, 2008	
	Value Rs	%	Value Rs	%
Raw Material - Imported	50,64,85,725	22.71	5,70,27,555	2.52
Raw Material – Indigenous	1,72,33,70,380	77.29	2,20,86,87,039	97.48
Total Raw Material	2,22,98,56,105	100.00	2,26,57,14,594	100.00
Stores & Spares – Imported	NIL	—	NIL	—
Stores & Spares – Indigenous	4,14,96,706	100.00	4,27,23,291	100.00
<b>Total Stores &amp; Spares</b>	<b>4,14,96,706</b>	<b>100.00</b>	<b>4,27,23,291</b>	<b>100.00</b>

25. Figures have been rounded off to the nearest rupee.

26. Previous year figures have been regrouped/ recasted wherever necessary.

27. Schedules 1 to 19 form an integral part of the Balance Sheet and Profit and Loss Account

28. Information required by part IV of Schedule VI of the Companies Act. 1956.

**Balance Sheet abstract and Company's General Business Profile as at March 31, 2009**

**I. Registration Details**

Registration No.			7	0	3	0	State Code		1	6	
Balance Sheet Date	3	1		0	3			2	0	0	9
	Date		Month			Year					

**II. Capital Raised during the Year (Amount in Rs Thousand)**

Public Issue					N	I	L	Rights Issue					N	I	L
Bonus Issue					N	I	L	Private Placement			4	7	7	0	0

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

Sources of Funds	Total Liabilities	3	6	1	1	2	1	6	Total Assets	3	6	1	1	2	1	6
	Paid-Up Capital		4	6	1	4	9	9	Reserves & Surplus		7	9	3	9	3	0
	Secured Loans	2	1	3	9	4	4	1	Unsecured Loans		1	9	0	8	0	8
Application of Funds	Net Fixed Assets	3	1	0	5	6	5	8	Deferred Tax Liabilities (Net)			2	5	5	3	8
	Net Current Assets		5	0	5	5	5	8	Investments					N	I	L
									Misc. Expenditure (to be extent not written off)					N	I	L

**IV. Performance of Company (Amount in Rs Thousand)**

Turnover & Other Income	3	0	5	1	9	3	5	Total Expenditure	2	9	4	0	9	5	8
Profit before tax	1	1	0	9	7	7	Profit after tax	1	2	6	9	4	3		
Earning per share (in Rs)	+		7	.	5	6	Dividend rate %					N	I	L	

**V. Generic Names of Four Principal Products/Services of Company (as per monetary terms)**

Item Code No. (ITC Code)	2	9	1	5	2	1											
Product Description	A	C	E	T	I	C	A	C	I	D	G	L	A	C	I	A	L
Item Code No. (ITC Code)	2	9	1	5	9	0											
Product Description	E	T	H	Y	L	A	C	E	T	A	T	E					
Item Code No. (ITC Code)	2	9	1	5	2	4											
Product Description	A	C	E	T	I	C	A	N	H	Y	D	R	I	D	E		
Item Code No. (ITC Code)	2	9	4	2													
Product Description	I	B	U	P	R	O	F	E	N								

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009**  
(Pursuant to clause 32 of the Listing Agreement)

Particulars	Year ended 31st March, 2009 Rs	Year ended 31st March, 2008 Rs
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Net profit before tax and extraordinary items	10,13,35,291	16,36,66,575
Adjustments for :		
Depreciation	10,00,16,849	7,42,88,478
Misc. Expenses written off	25,83,481	27,30,393
Loss on sale of assets	1,11,115	3,20,346
Interest income	(64,82,547)	(29,53,482)
Interest expense	13,29,28,190	11,61,74,957
Provision for gratuity liability	—	(15,87,294)
Operating profit before working capital changes	33,04,92,379	35,26,39,973
Adjustments for :		
(Increase)/decrease in trade and other receivables	74,31,408	(18,38,32,456)
(Increase)/decrease in inventories	(17,60,65,836)	(4,42,40,189)
Increase/(decrease) in trade payables and other liabilities	5,52,64,722	11,72,88,081
Cash generated from operations	21,71,22,673	24,18,55,409
Cash flow before extraordinary items	21,71,22,673	24,18,55,409
Extraordinary items		
Equity warrants forfeited	96,42,000	—
Tax paid	(1,22,49,908)	(1,91,85,316)
<b>Net cash from operating activities</b>	<b>21,45,14,765</b>	<b>22,26,70,093</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(1,67,67,33,327)	(47,30,71,637)
Sale of fixed assets	2,15,000	8,97,000
Interest received	64,82,547	29,53,482
<b>Net cash used in investing activities</b>	<b>(1,67,00,35,780)</b>	<b>(46,92,21,155)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of share capital	23,66,40,000	20,89,50,000
Proceeds from long term borrowing (net)	1,25,06,15,064	(8,46,85,087)
Equity share warrants	4,27,90,000	4,72,10,000
10% fully convertible debentures	—	13,99,99,800
Proceeds from short term borrowing (net)	8,63,89,582	5,38,24,056
Interest paid	(13,13,00,324)	(11,52,32,098)
<b>Net cash from financing activities</b>	<b>1,48,51,34,322</b>	<b>25,00,66,671</b>
Net increase/ (decrease) in Cash and cash equivalents (A+B+C)	2,96,13,307	35,15,609
Cash and cash equivalents as at April 1, 2008 (Opening balance )	3,73,37,897	3,38,22,288
Cash and cash equivalents as at March 31, 2009 (Closing balance )	6,69,51,204	3,73,37,897

As per our report of even date annexed hereto

For and on behalf of the Board

for S C VASUDEVA & CO.  
Chartered AccountantsSd/-  
Varinder Gupta  
Chairman and Managing DirectorSd/-  
Dimple Gupta  
Director  
Sd/-  
H K Bal  
DirectorSd/-  
Sanjiv Mohan  
Partner  
M.No. 86066Sd/-  
Raj Kumar Thukral  
Executive DirectorSd/-  
Parminder Singh Cheema  
Director  
Sd/-  
Yogesh Goel  
DirectorPlace : Ludhiana  
Dated : June 30, 2009Sd/-  
Krishan Singla  
Vice President and  
Company Secretary  
Sd/-  
Rakesh Mahajan  
President  
(Finance)**AUDITORS' CERTIFICATE**We have checked the above cash flow statement of **IOL Chemicals and Pharmaceuticals Limited**, derived from the audited financial statements for the year ended March 31, 2009, with the books and records maintained in the ordinary course of business and found the same in accordance therewith.for S C VASUDEVA & CO.  
Chartered AccountantsPlace : Ludhiana  
Dated : June 30, 2009Sanji V Mohan  
Partner  
M.No. 86066





## IOL CHEMICALS AND PHARMACEUTICALS LIMITED

Regd. Office : Trident Complex, Raikot Road, Barnala - 148 101 (Punjab)

### MEMBERS FEEDBACK FORM 2008-09

Members are requested to send this **FEEDBACK FORM** duly filled to the Secretarial Department, IOL Chemicals and Pharmaceuticals Limited, 85, Industrial Area 'A', Ludhiana - 141003

Please rate on a 5 point scale of 1 to 5 by marking (✓) in the box

Sr No	Areas	Excellent	Very Good	Good	Satisfactory	Unsatisfactory
		1	2	3	4	5
1.	Turnaround time for response to shareholder query					
2.	Quality of Response					
3.	Timely receipt of Annual Report					
4.	Presentation of information on Company's Website					
5.	Promptness in confirming demat/remat requests					
6.	Overall Rating					

#### Suggestion/Question

In case you have any suggestion/question for the betterment of your Company, please do write to us. The Management would be pleased to consider and reply the same

Name ..... Folio/Client ID No. ....

Address .....

Signatures .....



## IOL CHEMICALS AND PHARMACEUTICALS LIMITED

Regd. Office : Trident Complex, Raikot Road, Barnala - 148 101 (Punjab)

### PROXY FORM

I/We ..... of .....  
in the district of ..... being a member/members of M/s IOL Chemicals and  
Pharmaceuticals Limited, hereby appoint..... of

..... of the district of .....  
as my/our Proxy to vote for me/us on my/our behalf at the **22nd Annual General Meeting** of the Company to be  
held on **Saturday, September 12, 2009 at 10.00 A M** at the Registered Office of the Company situated at Trident  
Complex, Raikot Road, Barnala-148101, Punjab, and at any adjournment thereof.

Signed this..... day of.....2009

Affix Re 1/- Revenue Stamp here
Signature(s)

Signature .....

Folio/Client ID No. ....

#### Note :

**If it is intended to appoint a proxy, the form of proxy should be completed and deposited at the Registered Office of the Company at least 48 hours before the commencement of the meeting.**



## IOL CHEMICALS AND PHARMACEUTICALS LIMITED

Regd. Office : Trident Complex, Raikot Road, Barnala - 148 101 (Punjab)

### ATTENDANCE SLIP

Registered Folio/Client ID No. : ..... Name of the Member : .....

Name of the Proxy : ..... No. of shares held : .....

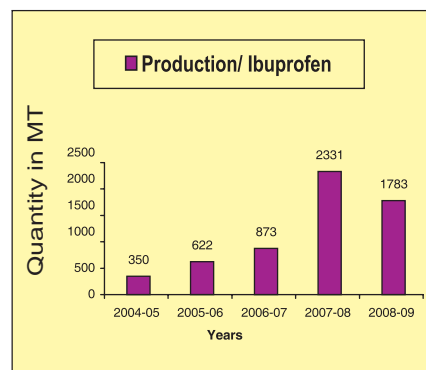
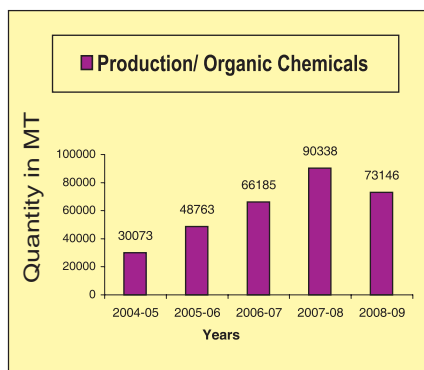
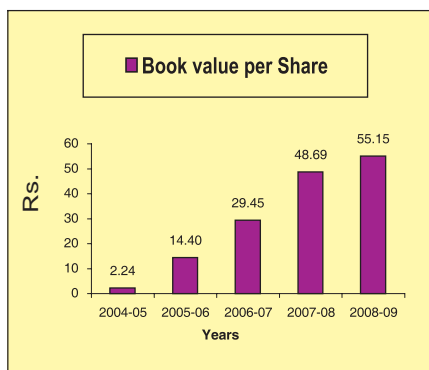
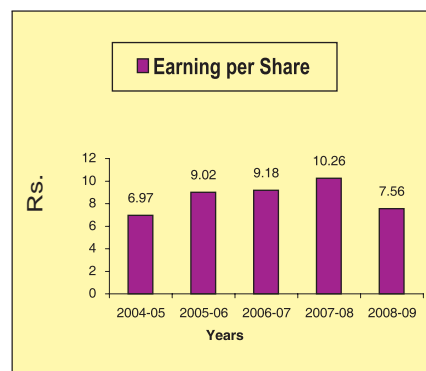
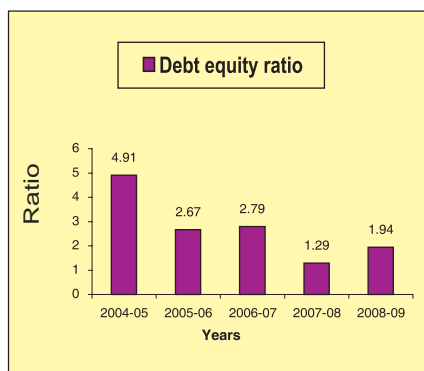
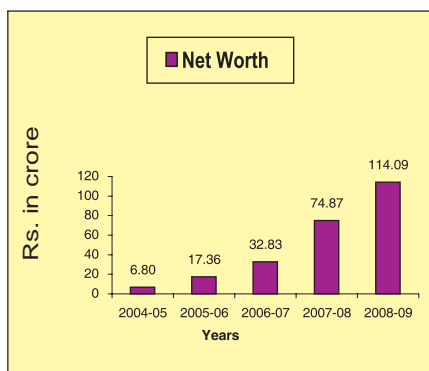
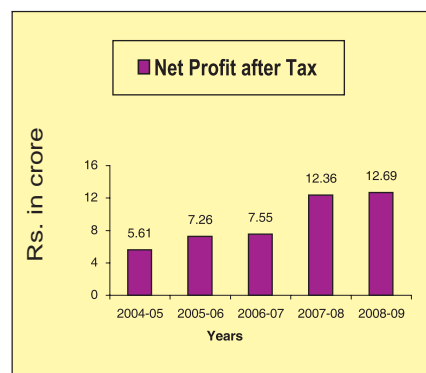
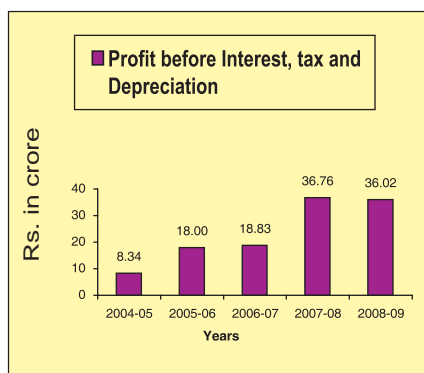
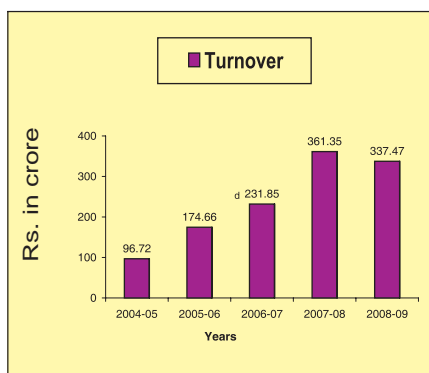
I hereby record my presence at the **22nd Annual General Meeting** of the Company held on **Saturday, September 12, 2009 at 10.00 A M** at Trident Complex, Raikot Road, Barnala - 148 101, Punjab.

**Signature of Member/Proxy**

#### Notes :

1. Members/ Proxies are requested to produce the attendance slip duly signed for admission to the meeting hall.
2. Members are requested to bring their copy of the Annual Report.

# FINANCIAL PERFORMANCE



## Financial Performance

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Turnover (Rs in Crore)	96.72	174.66	231.85	361.35	337.47
Profit before Interest, tax and Depreciation (Rs in Crore)	8.34	18.00	18.83	36.76	36.02
Net Profit after Tax (Rs in Crore)	5.61	7.26	7.55	12.36	12.69
Net Worth (Rs in Crore)	6.80	17.36	32.83	74.87	114.09
Debt equity ratio	4.91	2.67	2.79	1.29	1.94
Earning per Share (Rs)	6.97	9.02	9.18	10.26	7.56
Book value per Share (Rs)	2.24	14.40	29.45	48.69	55.15
Production/ Organic Chemicals (Quantity in MT)	30073	48763	66185	90338	73146
Production/ Ibuprofen (Quantity in MT)	350	622	873	2331	1783

BOOK-POST



*If undelivered, please return to:*  
IOL Chemicals and Pharmaceuticals Limited

85, Industrial Area 'A', Ludhiana-141003 (Punjab)