



**FOURTEENTH
ANNUAL REPORT 2008-09**

PONDY OXIDES AND CHEMICALS LIMITED

PONDY OXIDES AND CHEMICALS LIMITED

BOARD OF DIRECTORS

| | |
|--------------------------------|--|
| Chairman | : Dr.Padam Chandra Bansal |
| Managing Director | : Sri.Anil Kumar Bansal |
| Whole Time Directors | : Sri.Sunil Kumar Bansal Sri.R.P.Bansal Sri.Devakar Bansal Sri.Y.V.Raman |
| Directors | : Sri.D.P.Venkataraman – Vice Chairman Sri.Sudhir Kumar Gupta Sri.Anil Kumar Sachdev Sri.Jawaharilal Kataria (Upto 30-07-2009) Sri.Harish Kumar Lohia Sri.P.N. Sridharan Sri.Ashish Bansal (From 30-07-2009) |
| GM Finance & Company Secretary | : Sri.K.Kumaravel |

Auditors

M/s.Jeeravla & Co.
Chartered Accountants
150/5, Govindappa Naicken Street,
Chennai – 600 001
Phone : 2536 9245

Bankers

Canara Bank – Anna Nagar East Branch
Punjab National Bank – Mylapore Branch

Registered Office

F-14, "Mahaveer Chambers"
103, Nyniappa Naicken Street,
Chennai – 600 003.
Phone : 2535 2339 / 2535 3444

Corporate & Administrative Office

309, Poonamallee High Road,
Kilpauk, Chennai - 600 010
Phone : 42965454 (8 lines)

Listing

Stock Exchange Mumbai
Madras Stock Exchange
Coimbatore Stock Exchange

Factory

Metallic Oxides Division (MOD)
Behind A-73 & 74, PIPDIC Industrial Estate,
Mettupalayam, Pondicherry – 605 009

Plastic Additives Division (PAD)

Sembiapalayam, Korkadu Post,
Pondicherry – 605 110

Smelter Division (SMD)

G 17 – G 19 & G 30 – G 32,
SIPCOT Industrial Park, Mampakkam,
Sriperumbudur, Kancheepuram District,
Tamilnadu – 602 105

Zinc Refining Division (ZRD)

G 47, SIDCO Industrial Estate,
Kakkalur, Thiruvallur, Tamilnadu – 602 003.

Registrar and Share Transfer Agents

M/s.Cameo Corporate Services Limited
Subramanian Building
No.1, Club House Road, Chennai – 600 002

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NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the 14th Annual General Meeting of the Shareholders of the Company will be held at 11.00 a.m on Thursday 17th September 2009 at Kasturi Srinivasan Hall (Mini Hall), Music Academy, 306, T.T.K.Road, Chennai – 600 014 to transact the following business:

Ordinary Business:

01. To receive, consider and adopt the Directors' Report and Audited Profit and Loss Account for the year ended 31st March 2009 and the Balance Sheet as on that date and the Auditors' Report thereon.
02. To declare dividend.
03. To elect a Director in the place of Sri. R. P. Bansal, who retires by rotation and being eligible, offers himself for re-election.
04. To elect a Director in the place of Sri. Devakar Bansal, who retires by rotation and being eligible, offers himself for re-election.
05. To elect a Director in the place of Sri. D. P. Venkataraman, who retires by rotation and being eligible, offers himself for re-election.
06. To elect a Director in the place of Sri. Harish Kumar Lohia, who retires by rotation and being eligible, offers himself for re-election.
07. To appoint auditors to hold office till the conclusion of the next Annual General Meeting and fix their remuneration.

Special Business

08. To consider and if thought fit to pass with or without modification the following resolution which will be passed as an ordinary resolution
"Resolved that Sri. Ashish Bansal, who ceases to be a director at this Annual General Meeting and in respect of whom the Company has received Notice in writing under Section 257 of the Companies Act, 1956 from a member signifying his intention to propose him as a candidate for the office of Director of the Company be and is hereby appointed as a Director of the Company liable to retire by rotation."
09. To consider and if thought fit to pass with or without modification the following resolution which will be passed as a special resolution:
"Resolved that pursuant section 163 of the Companies Act, 1956 the company hereby approves that the Register of members, debenture holders, indices, register of beneficial owners, share transfer register and other registers, certificates, returns and documents relating to members shall be kept at the office of the Registrar & Share Transfer Agents namely M/s. Cameo Corporate Services Ltd., having office at Subramanian Building, No. 1, Club House Road, Chennai - 600 002 and other Statutory Registers shall be kept at the New Corporate office of the Company at 309, Poonamallee High Road, Kilpauk, Chennai - 600 010 instead of at the Registered Office of the Company with effect from 01.10.2009".

By order of the Board
For Pondy Oxides and Chemicals Limited,

K. Kumaravel
GM Finance & Company Secretary

Place : Chennai
Date : 30.07.2009

PONDY OXIDES AND CHEMICALS LIMITED

NOTE:

01. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself / herself and the proxy need not be a member.
02. The Register of members and share transfer books will remain closed on 17th September 2009 in terms of the Section 154 of the Companies Act, 1956.
03. Members are requested to kindly bring their copy of Annual Report to the meeting.
04. Consequent upon the amendment to Section 205 A of the Companies Act, 1956 and introduction of Section 205 C by the Companies (Amendment) Act, 1999, the amount of dividend remaining unclaimed and / or unpaid for a period of seven years is to be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government. The unclaimed dividend for the financial year ended 31st March 2002 is due for transfer to the said fund in September 2009. In terms of provisions of Section 205C of the Companies Act, 1956, no claim shall lie against the company or the said fund after the said transfer. Members who have not encashed the dividend warrant for the financial year ended 31st March 2002 and / or any subsequent financial years are requested to make the claim to the company.
05. **Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956.**

Item No.8 :

Sri.Ashish Bansal was appointed as an Additional Director by the Board with effect from 30.07.2009 under Section 260 of the Companies Act 1956 to hold office till the conclusion of Fourteenth Annual General Meeting of the Company.

Notice has been received from a member of the Company under Section 257 of the Companies Act, 1956 proposing the candidature of Sri.Ashish Bansal as a Director.

None of the Directors other than Sri.Ashish Bansal, Sri.Padam C.Bansal, Sri.Anil Kumar Bansal, Sri.Sunil Kumar Bansal, Sri.R.P.Bansal and Sri.Devakar Bansal are interested in the above resolution.

Item No.9 :

As the company has taken a new corporate office at 309, Poonamallee High Road, Kilpauk, Chennai - 600 010 with effect from 01.07.2009 it would be convenient for the company to keep the statutory Registers at the new corporate office while the members Registers etc., are kept at the office of the Registrar and Share Transfer Agents M/s. Cameo Corporate Services Ltd., Chennai. Hence the above resolution is placed before the shareholders for their approval.

None of the directors is interested in the above resolution.

DIRECTOR'S REPORT

Your Directors have pleasure in presenting the Fourteenth Annual Report of your Company together with the Audited Balance Sheet of the Company as at 31st March 2009 and the Profit and Loss Account for the year ended on that date and the Auditor's Report thereon.

FINANCIAL RESULTS

The details of financial results of the company for the financial year ended March 31, 2009 are as under.

| | 2008-2009 | 2007-2008 |
|--|----------------|-----------|
| | (Rs. in lakhs) | |
| Sales and other Income | 12014.70 | 15929.76 |
| Profit for the year before providing for interest, depreciation and tax | 461.23 | 1329.92 |
| LESS: | | |
| Interest and Financial Charges | 374.26 | 405.26 |
| Depreciation | 159.66 | 148.24 |
| Provision of taxation | 46.37 | 285.27 |
| Profit after tax | (119.06) | 491.15 |
| ADD : | | |
| Prior year adjustments | 0.16 | 24.06 |
| Disposable Profit | (118.90) | 515.21 |
| APPROPRIATIONS | | |
| Proposed Dividend | 50.54 | 121.29 |
| Dividend Tax | 8.59 | 20.61 |
| Transfer to General Reserve | 0 | 30.00 |
| Balance Carried forward | 178.03 | 343.31 |

A cash flow statement for the year under review is also attached to the enclosed Annual Accounts.

REVIEW OF PERFORMANCE

During the year under review, the Company has recorded a net income from operation of Rs. 12014.70 lakhs as against Rs. 15929.76 lakhs in the previous year. The drop is mainly on account of fluctuation in metal prices. The lead price retreated gradually in 2008 after rocketing greatly in 2007. Impacted by the worsening global financial crisis, which was triggered by the US subprime leading crisis, the global economy turned down. Amid the depressed condition, already weak base metals plunged greatly in the third quarter of 2008-09.

In an effort to optimize the capacity utilization and overheads under the revised business atmosphere of global meltdown, the company had sold its plants at Madhurantagam in August 2008. Also there has been multi-location of manufacturing facility to optimize the establishment cost and factory overheads. The multi location has resulted in savings on account of rationalization of man power and production synergies.

Revenues from exports for the year stood at Rs. 1664.74 lakhs compared to the previous year export of Rs. 1713.14 lakhs.

Loss after tax for the year stood at Rs. 119.06 lakhs as against the profit of Rs. 491.15 lakhs for the previous year. During the year under review, sharp decline in Lead LME prices (from USD 3008 in March 2008 to USD 1272 in March 2009) impacted the margins adversely. The company has taken initiatives

PONDY OXIDES AND CHEMICALS LIMITED

in the current year to overcome the difficulty in fluctuation in metal prices and adopting different strategies for procurement of raw materials and to minimize the loss and to maximize the profit.

DIVIDEND

Your Directors have recommended a dividend of 5% for the year ended 31st March 2009 (previous year 12%), on the equity shares as on 31.03.2009 which if approved at the forthcoming Annual General Meeting paid to all the Equity Shareholders, whose name appear in the register of members on the book closure date and to those whose names appears on that date as beneficial owners as per the particulars furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd., (CDSL) and the total outgo on account of dividend amounts to Rs.59.13 lakhs (Rs. 141.90 lakhs).

DIRECTORS

Under Company's Articles of Association Mr.R.P.Bansal, Mr.Devakar Bansal, Mr.D.P.Venkataraman and Mr.Harish Kumar Lohia of the Company retire by rotation at the ensuing Annual General Meeting and being eligible and offer themselves for re-appointment.

Sri.Ashish Bansal was inducted on the Board as Additional Director of the Company on 30.07.09. His term of office will expire at the ensuing Annual General Meeting. Your Directors recommend his appointment as Director subject to retirement by rotation.

Brief resume of the above Directors, nature of their expertise in specific functional areas and names of other companies in which they hold Directorship and membership as stipulated under clause 49 of the Listing Agreement are given in the report on Corporate Governance elsewhere in the Annual Report.

During the year Mr.Jawaharilal Kataria has resigned from the post of Director from the Board. Your Directors wish to place on record their deep sense of appreciation for the valuable services rendered by Mr.Jawaharilal Kataria during his tenure of office as Director of the Company.

DIRECTORS RESPONSIBILITY STATEMENT

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

- i. in the preparation of the annual accounts, the applicable accounting standards have been followed ;
- ii. the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2009 and of the loss of the Company for that year;
- iii. the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. the Directors have prepared the annual accounts on a going concern basis.

The above statements were noted by the Audit Committee at its meeting held on 30.07.2009.

CORPORATE GOVERNANCE

The company continues to remain committed for high standards of corporate governance. The report on corporate governance as per the requirement of the listing agreement with stock exchanges forms part of this report. The Company has complied with all the requirements of corporate governance. The certificate from the Auditors of the Company confirming compliance to the conditions of the corporate governance requirements is also annexed.

SUBSIDIARY COMPANY

The company, as of 31st March, 2009 had two subsidiaries namely M/s.Baschem Pharma Ltd., and M/s.Lohia Metals Pvt Ltd. M/s.Lohia Metals Pvt Ltd., became subsidiary in terms of Section 4(1)(b)(II) of the Companies Act, 1956 during the year under review.

In terms of the approval granted by the Central Government under Section 212(8) of the Companies Act, 1956, copies of the Balance Sheet, Profit & Loss Account and Reports of the Board of Directors and Auditors of the subsidiaries have not been attached with the Balance Sheet of the Company. However, these documents will be made available upon request by any member of the company interested in obtaining the same. As directed by the Central Government, the financial data of the subsidiaries has been furnished in the Notes on Consolidated Financial Statement, which forms part of the Annual Report. The Annual Accounts of the company including that of subsidiaries will be kept for inspection by any member. Further, pursuant to Accounting Standard – 21 (AS-21) prescribed under the companies (Accounting Standard) Rules 2006, Consolidated Financial Statement presented by the Company include financial information about its subsidiaries.

DEPOSITS

The Company has accepted unsecured loan from friends and relatives of Directors.

AUDITORS

M/s. Jeeravla & Co., Auditors of the Company retire at the Annual General Meeting of the Company and are eligible for reappointment. Your Directors recommend their re-appointment.

INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956

None of the employees of your Company was in receipt of the remuneration in excess of the ceiling prescribed under Section 217 (2A) of the Companies Act, 1956. Particulars required under Section 217(1)(e) of the Companies Act, 1956 are furnished under Annexure I and form part of this report.

INDUSTRIAL RELATIONS

The Company maintained cordial relationship with its employees at all its locations during the year.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation for the continued support and co-operation of the shareholders, customers, dealers, vendors, state government authorities, business associates, banks and financial institutions for the support extended to the Company. Your Directors also record their appreciation for the commitment and dedication of the employees of your company.

For and on behalf of the Board

Place : Chennai
Date : 30.07.2009

D.P.VENKATARAMAN
Vice Chairman

ANNEXURE - I

I. CONSERVATION OF ENERGY

- a. Energy conservation measures taken; (b) Additional investments and proposals if any, being implemented for reduction of consumption of energy; (c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :- Not Applicable
- b. Total energy consumption and energy consumption per unit of production :

FORM A : FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

| A. POWER AND FUEL CONSUMPTION | 2008-2009 | 2007 - 2008 |
|--------------------------------------|------------------|--------------------|
| 1. Electricity | | |
| a. Purchased Units | 15,21,975 | 24,70,654 |
| Total Amount Rs. in lakhs | 57.75 | 79.25 |
| Rate per Unit Rs. | 3.79 | 3.21 |
| b. Own Generation | | |
| Through Diesel Generator Units | 6,74,737 | 5,39,532 |
| Units per liter of Diesel | 3.22 | 3.53 |
| Cost per unit Rs. | 10.02 | 8.84 |
| 2. Coal (Rs.in lakhs) | 3.23 | - |
| 3. Furnace Oil & BM Oil | | |
| Quantity (K. ltrs) | 802 | 731 |
| Amount Rs. in lakhs | 232.49 | 186.96 |
| Average Rate Rs. | 28,995 | 25,564 |
| 4. Others/Internal Generation | | |
| Diesel | | |
| Quantity (K.ltrs) | 282 | 169 |
| Amount Rs.in lakhs | 105.82 | 55.58 |
| Average Rate Rs. | 37,537 | 32,892 |

B. CONSUMPTION PER UNIT OF PRODUCTION

'In view of the number of products, with different quality and other parameters, being manufactured by the company, it is not possible to give information on consumption of fuel per unit of production.

II. TECHNOLOGY ABSORPTION

FORM B : FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION ETC.

- I. Research and development Not Applicable
- II. Technology Absorption, Adaptation and Innovation Not Applicable

III. FOREIGN EXCHANGE EARNINGS AND OUTGO :

- i. Earnings in Foreign Exchange during the year 2008-09
 - 1. Export Sales Rs. 1664.74 lakhs
 - 2. Others Nil
- ii. Foreign Exchange outgo during the year 2008-09
 - 1. Import of Capital goods Nil
 - 2. Raw Materials Rs. 5492.83 lakhs
 - 3. Technical know-how (Net of Tax) Nil
 - 4. Foreign Travel expense Rs. 3.61 lakhs

For and on behalf of the Board

Place : Chennai
Date : 30.07.2009

D.P.VENKATARAMAN
Vice Chairman

DETAILS OF THE DIRECTORS SEEKING REAPPOINTMENT

| Name | R.P.Bansal | Devakar Bansal | D.P.Venkataraman | Harish Kumar Lohia | Ashish Bansal |
|---|---|---|--|--|--|
| Date of Birth | 10.08.1947 | 23.05.1960 | 30.01.1936 | 27.02.1958 | 15.07.1981 |
| Expertise in specific function area | Executive Director – Specialised in Marketing of various products | Executive Director – Specialised in erection and starting of Zinc Oxide plants and other products | Professional Director - Specialised in Banking & Finance | Professional Director – Specialised in HR and Marketing FMCG | Director – Specialised in Metal production and marketing of Metal products for International Markets |
| Qualification | Under Graduate | B.Sc. | B.Sc., CAIIB | B.Com | MBA (Wales, U.K) |
| List of outside directorship held excluding alternate directorship and private companies | Nil | Ardee Industries Pvt Ltd. | Nil | Nil | Lohia Metals Pvt Ltd., |
| Chairman / Member of the Committee of the Board of Directors of the company | Nil | Nil | Member - Audit, Investors Grievances and Remuneration Committees | Nil | Nil |
| Chairman / Member of the Committee of the Board of Directors of other companies in which he is a director | Nil | Nil | Nil | Nil | Nil |

ANNEXURE TO DIRECTORS' REPORT

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Over view

POCL is a leading manufacturer of Metal, Metallic Oxides and Plastic Additives industry. In fiscal 2008-09, it was ranked as the top manufacturer having facility to manufacture Metal and Plastic Additives. It was formed in 1995-96 and expanded its manufacturing base in Pondicherry and Tamilnadu.

Current Environment and Global Market

The year 2008-09 has been marred by economic recession, collapse of various large financial institutions and record losses being reported by large corporate world wide. It has been a year of volatility and uncertainty leading to an economic downturn that has had widespread impact across the world.

According to an independent research agency the global demand for refined lead increased by 6% in 2008 due to slight increase in demand in the United State and strong growth in China. However, the lead price retreated gradually in 2008 after rocketing greatly in 2007. Amid the depressed condition, already weak base metals plunged greatly in the third quarter of 2008-09.

The output of both lead ore and refined lead in the first quarter is much lower than that in other three quarters, as some lead smelters and mines cut or stopped production on the snowstorm in South China during late January and early February and many small-sized mines and smelters halted production for Spring Festival Holidays. The output increased in the second quarter but declined again in the third quarter. As the Olympics were held in Beijing during August and September and the detonators were forbidden in delivering then, mines are unable to keep operating normally. After the Olympics closed late September, some mines and smelters resumed production in succession, leading to the great increase of refined lead output in October. However, with the financial crisis deepening, lead prices tumbled from RMB 18,000/t late September to RMB 8,000/t late November, so lead smelters suffered a great loss. Many smelters had to cut production or close, resulting in the production decline in November and December.

Financial and Operational Performance

Given this scenario, the company has recorded net revenues of Rs.12014.70 lakhs and a net loss of Rs.72.69 Lakhs. The company was up against various business / environmental challenges slowing down of global economy and fluctuation in metal prices resulting in sinkage of margins though sufficient orders in hand.

Outlook on Opportunities, Threats, Risks and Concerns

There will be many uncertainties in 2009-10. It is still unclear when the economic crisis will hit the bottom and whether the stimulus plans will push up the growth of global economy. Impacted by kinds of favourable new, lead market will keep fluctuating in 2009.

On the demand side, the lead market will remain weak in 2009. Depressed by the economic crisis, the automotive market has shown the weakness from later 2008 and some major producers struggled and announced to cut production in 2009. Therefore, the lead acid battery consumption for new cars may decline in 2009, but demand from replacing old batteries will not decline, so the growth of Lead Ingot Consumption may slow down in the world in 2009.

Internal Control Systems

The company maintains adequate internal control system, which provides among other things, reasonable assurance of recording the transactions of its operations in all material aspects and of providing protection

against significant misuse or loss of company's assets. Reports of the internal auditor are reviewed by the senior management and are also placed before the audit committee of the Directors. The statutory auditors also review their findings with the senior management and the audit committee.

Human Resources

Your company views its human resources base as the greatest asset in facing up to the challenge of catering to global markets. Company's emphasis continues to be on training all the employees and equipping them to address critical business issues. As at the end of March 2009, the total number of employees stood at 212.

Corporate Governance

The brief report on matters required to be stated on Corporate Governance pursuant to Clause 49 of the Listing agreement is as under:

Company's philosophy on Corporate Governance

Your company believes that Corporate Governance is a set of guidelines to help fulfill its responsibilities to all its stakeholders. It is a voluntary code of self discipline to ensure that the company abides by high ethical standards. In line with this philosophy, your company follows healthy corporate governance practices and reports the same to the shareholders.

Board of Directors

Your company has a balanced mix of eminent executive, non executive and independent directors on the Board. The total strength of the Board of Directors is twelve. Your company has a non executive Chairman, who is from promoter group and the number of independent directors is six.

Composition of the Board of Directors (31st March 2009)

| Name of the Director | Business Relationship | Category |
|-----------------------------|------------------------------|-----------------------------|
| Dr. Padam Chandra Bansal | Chairman & Director | Non – Executive |
| Sri. D.P. Venkataraman | Vice Chairman & Director | Non-Executive / Independent |
| Sri. Anil Kumar Bansal | Managing Director | Executive |
| Sri. Sunil Kumar Bansal | Director | Executive |
| Sri. R.P. Bansal | Director | Executive |
| Sri. Devakar Bansal | Director | Executive |
| Sri. Y. V. Raman | Director | Executive |
| Sri. Sudhir Kumar Gupta | Director | Non-Executive / Independent |
| Sri. Anil Kumar Sachdev | Director | Non-Executive / Independent |
| Sri. Harish Kumar Lohia | Director | Non-Executive / Independent |
| Sri. S.Jawaharlal Kataria | Director | Non-Executive / Independent |
| Sri. P.N.Sridharan | Director | Non-Executive / Independent |

Board Meetings / Attendance of Directors

During the year 2008-09, seven meetings were held on 24.04.08, 16.06.08, 25.07.08, 20.09.08, 24.10.08, 23.01.09 and 31.03.09. There was no time gap of four months or more, between any two meetings. The

PONDY OXIDES AND CHEMICALS LIMITED

attendance of the Directors at the Board Meetings (BM) and the Thirteenth Annual General Meeting (AGM) held on 20th September 2008, is as under:

| Name of the Director | Board Meetings attended | Attendance at last AGM | No. of Directorships in other Boards (as on 31.03.09) | No. of Chairmanship / Membership in other Board Committees (as on 31.03.09) |
|---------------------------|-------------------------|------------------------|---|---|
| .Dr. Padam Chandra Bansal | 1 | Yes | - | - |
| Sri. D.P. Venkataraman | 6 | Yes | 1 | 3 |
| Sri. Anil Kumar Bansal | 7 | Yes | 1 | 1 |
| Sri. Sunil Kumar Bansal | 7 | Yes | 2 | 1 |
| Sri. R.P. Bansal | 3 | Yes | - | - |
| Sri. Devakar Bansal | 6 | Yes | 1 | - |
| Sri. Y. V. Raman | 6 | Yes | - | 1 |
| Sri. Sudhir Kumar Gupta | 4 | Yes | 1 | 3 |
| Sri. Anil Kumar Sachdev | 3 | Yes | 1 | 3 |
| Sri. Harish Kumar Lohia | 4 | Yes | - | - |
| Sri. Jawaharlal Kataria | 1 | No | - | - |
| Sri. P.N. Sridharan | 4 | Yes | - | - |

Audit Committee

The composition of the Audit Committee is:

- i. Sri. Sudhir Kumar Gupta - Chairman
- ii. Sri. Anil Kumar Sachdev
- iii. Sri. D.P. Venkataraman

The Committee has met four times during the year on 24.04.08, 25.07.08, 24.10.08 and 23.01.09

Sri. Sudhir Kumar Gupta, Sri. Anil Kumar Sachdev and Sri. D.P. Venkataraman attended all the meetings and Sri. K. Kumaravel, GM Finance & Company Secretary is the Secretary to the Committee.

The Statutory Auditors and the Internal Auditors are special invitees in all the meetings. The Director – Finance of the Company attended the meetings by invitation.

The scope of reference to the Committee includes:

1. Review of Audit with Statutory Auditors and Internal Auditors
2. Limited review of half yearly accounts with Statutory Auditors
3. Review of Internal Control Systems by Internal Auditors
4. Review of Annual Financial Statements with Auditors and Management before submission to the Board

Shareholders / Investors Grievance Committee

The Committee oversees share transfers and monitors Investors grievances such as complaints on transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc. and redressal thereof, within the purview of the guidelines set out in the listing agreement. No non compliance of material nature was received during the year under review.

The Committee consists of the following Directors:

- i. Sri. Sudhir Kumar Gupta -Chairman
- ii. Sri. Anil Kumar Sachdev
- iii. Sri. D.P. Venkataraman

The GM Finance & Company Secretary Sri. K. Kumaravel is the Compliance Officer.

Remuneration Committee

The Committee has been formed specifically to determine the Company's policy on specific remuneration packages for Executive Directors. The Committee consists of the following Directors.

- i. Sri. Sudhir Kumar Gupta
- ii. Sri. Anil Kumar Sachdev
- iii. Sri. D.P. Venkataraman

The details of remuneration paid to the Executive Directors for the financial year 2008-2009 are given below:

| Name & Designation | Salary | Perquisite (Rs. in Lakhs) | Total |
|--|---------------|--------------------------------------|--------------|
| Sri. Anil Kumar Bansal Managing Director | 10.20 | 3.75 | 13.95 |
| Sri. Sunil Kumar Bansal Whole-Time Director | 6.90 | 3.55 | 10.45 |
| Sri. R.P. Bansal Whole-Time Director | 6.90 | 3.00 | 9.90 |
| Sri. Devakar Bansal Whole-Time Director | 6.90 | 3.00 | 9.90 |
| Sri. Y. V. Raman Whole-Time Director | 3.36 | 1.46 | 4.82 |

The Board of Directors decides the remuneration of Non-Executive / Independent Directors. The Non-Executive / Independent Directors are paid sitting fees of Rs.3,000/- each per meeting of the Board attended by them.

General Body Meetings

Last three Annual General Meetings:

| AGM | Held At | Date | Time |
|----------------------|--|-------------|-------------|
| 13 th AGM | Music Academy, 306, TTK Road, Chennai – 14 | 20.09.2008 | 11.00 A.M |
| 12 th AGM | Music Academy, 306, TTK Road, Chennai – 14 | 22.09.2007 | 11.00 A.M |
| 11 th AGM | Music Academy, 306, TTK Road, Chennai – 14 | 09.09.2006 | 11.00 A.M |

Secretarial Audit

As required under Section 55A of SEBI (Depositories and Participants) Regulations 1996, Secretarial Audit was carried out by a qualified Practicing Company Secretary on a quarterly basis to reconcile the total admitted capital with both the depositories and the total issued and listed capital. The total number of shares in physical form and the total number shares in dematerialized form held with the depositories were in agreement with the total issued paid up and listed capital.

Disclosures

There are no non-compliances by the Company, penalties, structures imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets during the last three years.

There are no materially significant related party transactions that have / may have potential conflict with the interest of the company. Transactions with the related parties are disclosed in Note No.16 of Notes of Accounts of the company elsewhere in this Annual Report.

Means of Communications

The Board of Directors of the Company approves and takes on record the financial results in the proforma prescribed by the Stock Exchange within the statutory period and announces forthwith the results to all the Stock Exchanges, where the shares of the Company are listed and also publishes in the newspapers.

The quarterly, half yearly and annual financial results of the company are posted on the company's website www.pocl.co.in

Management Discussion and Analysis Report available as annexure to the Directors' Report may be treated as part of this Corporate Governance Report.

General Shareholders' Informations

Annual General Meeting

17th September 2009 at 11.00 A.M. at Kasthuri Srinivasan Hall, (Mini Hall), Music Academy, 306, TTK Road, Chennai – 600 014.

Date of Book Closure

17.09.2009

Listing on Stock Exchanges

Under B2 Category
The Stock Exchange Mumbai,
Phiroze Jeejeebhoy Towers,
Dalal Street.

Mumbai – 400 001.

Ph : 022 – 22721234 / 1233 Fax : 022 – 22723121, 22722039, 22722037

Madras Stock Exchange Limited
Exchange Building, Post Box No.183
11, Second Line Beach Road,

Chennai – 600 001.

Tel : 044 – 25224382, 25224392 Fax : 044 – 25244897

Coimbatore Stock Exchange Limited
Stock Exchange Building
Trichy Road

Coimbatore – 641 005.

Tel : 0422 – 2315100 Fax : 0422 – 2313947

Note : The approval for delisting of company's equity shares from Coimbatore Stock Exchange Ltd., is awaited.

Listing Fees and Stock Market Data

Company has paid the listing fees to Mumbai and Madras Stock Exchanges for the year 2008-09.

Stock Code

Trading Symbol at BSE : 532626

Demat ISIN Number in NSDL & CDSL for Equity Share : INE063E01038.

Stock Market Date

Price in Rs.per share

| The Stock Exchange Mumbai (BSE) | | |
|---------------------------------|-------|-------|
| Month | High | Low |
| Apr-08 | 24.90 | 18.90 |
| May-08 | 28.00 | 20.20 |
| Jun-08 | 24.00 | 19.00 |
| Jul-08 | 23.90 | 18.85 |
| Aug-08 | 23.95 | 19.05 |
| Sep-08 | 22.30 | 17.00 |
| Oct-08 | 21.25 | 13.00 |
| Nov-08 | 16.45 | 11.00 |
| Dec-08 | 15.12 | 12.00 |
| Jan-09 | 14.89 | 11.50 |
| Feb-09 | 13.35 | 11.31 |
| Mar-09 | 12.90 | 9.11 |

Registrar and Share Transfer Agents

The address of the Registrar & Share transfer Agents is as under

M/s. Cameo Corporate Services Ltd.
Subramanian Building
No.1, Club House Road
Chennai – 600 002

Name of Contact person:
Mr.R.D.Ramasamy, Director
Phone No.: 044-28460390 (5 lines)
Fax No. : 044-28460129
Email : cameosys@satyam.net.in
cameo@cameo.india.com

Share Transfer System

The company's shares are covered under compulsory dematerialization list and are transferable through depository system. The shares sent for transfer in physical form are registered and returned with a period of 30 days from the date of receipt of the documents, provided the documents are valid and complete in all respects.

Dematerialisation of Shares

95.43% of the total equity share capital of the company is held in a dematerialized form with National Securities Depository Ltd., (NSDL) and Central Depository Services (India) Ltd., (CDSL) as on 31st March 2009. The market lot is one share as the trading in equity shares of the company is permitted only in dematerialized form and the stock is highly liquid.

None of the Company's shares are under lock-in period for any purpose.

PONDY OXIDES AND CHEMICALS LIMITED**Share Holding Pattern as on 31.03.2009**

| Category | No. of Shares | Percentage |
|--|-----------------|------------|
| Promoters holdings | 3750611 | 37.11 |
| Public Shareholding: | | |
| Mutual Funds | - | - |
| Banks, Financial Institutions & Others | 3000 | 0.03 |
| Insurance Companies | - | - |
| Foreign Institutional Investors | - | - |
| Bodies Corporate | 1037539 | 10.26 |
| NRI / Foreign Nationals | 50856 | 0.50 |
| Indian Public | 5265119 | 52.10 |
| Total | 10107125 | 100 |

Distribution of shareholding

Distribution of shareholding as on 31st March 2009 is as under :

| Range | No. of Shareholders | No. of Shares held | % to paid-up Capital |
|-----------------|---------------------|--------------------|----------------------|
| 1 – 100 | 2745 | 124754 | 1.23 |
| 101 – 500 | 4010 | 1035309 | 10.24 |
| 501 – 1000 | 866 | 677110 | 6.70 |
| 1001 – 2000 | 563 | 810411 | 8.02 |
| 2001 – 3000 | 149 | 370093 | 3.66 |
| 3001 – 4000 | 75 | 259787 | 2.57 |
| 4001 – 5000 | 60 | 274402 | 2.71 |
| 5001 – 10000 | 86 | 590305 | 5.84 |
| 10001 and above | 77 | 5964954 | 59.03 |
| Total | 8631 | 10107125 | 100.00 |

ADRs / GDRs / Warrants

The Company has not issued any ADR or GDR, no Warrants/convertible instruments are outstanding.

Plant Location

Given in the first page of Annual Report.

Address for correspondence

Pondy Oxides and Chemicals Ltd.,

Corporate Office :

309, Poonamallee High Road, 2nd Floor, Kilpauk,

Chennai – 600 010.

Tel : +91 44 42965454

Fax : +91 44 42965455

Email : info@pocl.co.in

Website : www.pocl.co.in

CEO / CFO Certification

As required under Clause 49 of the Listing Agreement a Certificate duly signed by Sri. Anil Kumar Bansal, Managing Director (CEO) and Sri. Sunil Kumar Bansal, Director – Finance (CFO) was placed at the meeting of the Board of Directors held on 30.07.09.

Auditors' Certificate on Corporate Governance

To the Members,
Pondy Oxides and Chemicals Limited

We have examined the compliance of conditions of Corporate Governance by Pondy Oxides and Chemicals Limited for the year ended 31st March 2009, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Investors' Grievances Committee.

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

For Jeeravla & Co.,
Chartered Accountants

Sohan C.J. Parmar
Proprietor
Membership No. 22321

Place : Chennai
Date : 30.07.2009

AUDITORS' REPORT

TO THE MEMBERS OF PONDY OXIDES AND CHEMICALS LIMITED

1. We have audited the attached Balance Sheet of Pondy Oxides and Chemicals Limited as at 31st March 2009, the relative Profit and Loss Account and the Cash Flow Statement for the year ended on that date and signed by us under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 we enclose in the Annexure a statement on matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply in all material respects with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (v) On the basis of written representations received from the Directors, and taken on record by the Board of Directors, we report that none of the Director is prima facie 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;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements read with the statement on significant accounting policies and notes to the accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) In the case of the Balance Sheet, of the state of the affairs of the Company as at March 31, 2009;
 - b) In the case of the Profit and Loss Account, of the loss for the year ended on that date; and
 - c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Place : Chennai
Date : 30.07.2009

For JEERAVLA & CO.,
Chartered Accountants
Sohan C.J. Parmar
Proprietor.
Membership No:22321

ANNEXURE TO AUDITORS' REPORT

(Annexure referred to in paragraph 3 of our audit report of even date to the members of Pondy Oxides and Chemicals Limited on the accounts as at and for the year ended on 31ST March, 2009.)

1. In respect of its Fixed Assets:

- (i) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (ii) The assets have been physically verified by the management at the end of financial year, which in our opinion is reasonable having regard to the size of the Company and the nature of its fixed assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (iii) According to the information and explanations given to us, no substantial part of fixed assets has been disposed off during the year.

2. In respect of its Inventories:

- (i) The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (ii) In our Opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (iii) The Company has maintained proper records of inventory. As explained to us, there were no materials discrepancies noticed on physical verification of inventories as compared to the book records.

3. In respect of the loans, secured or unsecured, granted or taken by the company to/from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956:

- (i) The Company has given Loans during the year to parties covered in the Register under section 301 of the companies Act, 1956 to Rs 5.65 Cr of which Rs 6.31 Cr returned by them. Highest amount of outstanding is Rs. 2.40 Cr. The transaction is covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (ii) The Company has taken loans during the year from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956 to Rs 5.88 Cr of which Rs 4.52 Cr returned by them. Highest amount of outstanding is Rs.7.12 Cr and the terms and conditions are prima facie not prejudicial to the interest of the company and are regular in repayment as per stipulation.

4. In our opinion and according to the information and explanations given to us, there are adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods & services. Further, on the basis of our examination of the books and records of the Company, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedure.

5. In respect of the contract or arrangement referred to in Section 301 of the Companies Act, 1956:

- (i) In our Opinion and according to the information and explanations given to us, we are of the opinion that the particulars of the contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 have been so entered.

PONDY OXIDES AND CHEMICALS LIMITED

- (ii) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rs.5,00,000 in respect of any party during the year, have been made at prices, which are prima facie reasonable, having regard to prevailing market prices at the relevant time.
6. The company has accepted Fixed Deposits from Directors and their relatives and friends only. In our opinion and according to information and explanations given to us, all the directives issued by the Reserve Bank of India and provisions of Section 58A and 58AA or any other relevant provisions of the Companies Act 1956, and rules framed there under where applicable were complied with. Further, we are informed by the management that no order has been passed by the Company Law Board or National Company Law Tribunal or RBI or any other Tribunal on the Company.
7. In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
8. The Central Government has prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of certain manufacturing activities of the Company. We have broadly reviewed the books of account and records of the Company in this connection and are of the opinion, that prima facie, the prescribed accounts and records have been made and maintained. We have not, however carried out a detailed examination of the same.
9. In respect of Statutory dues:
- (i) Undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other material statutory dues applicable have generally been regularly deposited with the appropriate authorities.
- (ii) According to the information and explanations given to us, no undisputed amounts payable in respect of Income tax, Wealth tax, Service tax, Sales tax, Customs duty and Excise duty and Cess were outstanding as at 31st March, 2009 for a period of more than six months from the date they became payable.
- (iii) According to the information and explanations given to us, there are no dues of Income tax, Wealth tax, Sales tax, Customs duty and Excise duty and Cess, which have not been deposited on account of any dispute.
10. The company does not have accumulated losses at the end of the financial year. The Company has not incurred cash losses during the financial year covered by the audit and in the immediately preceding financial year.
11. According to the information and explanations given to us by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions and banks. The Company does not have any borrowings by way of debentures.
12. In our opinion and according to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
14. In our opinion, the Company is not dealing in or trading in Share, Securities, Debentures and Other Investments. Accordingly, the provision of clause(xiv) of Companies(Auditor's Report) Order 2003 are not applicable to the Company.

15. According to the information & explanations given to us, the Company has given guarantee for loans taken from banks by its subsidiary and associated company, the terms and conditions whereof in our opinion are not prima facie prejudicial to the interest of the Company.
16. In our opinion and according to the information and explanations given to us, the term loans availed by the company were, prima facie, applied by the Company during the year for the purpose for which the loans were obtained.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, funds raised on short term basis have prima facie, not been used for Long term Investments.
18. The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. The Company has not issued any debentures during the year
20. The Company has not raised any money by public issue during the year.
21. In our Opinion and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

Place : Chennai
Date : 30.07.2009

For JEERAVLA & CO.,
Chartered Accountants
Sohan C.J. Parmar
Proprietor.
Membership No:22321

PONDY OXIDES AND CHEMICALS LIMITED**BALANCE SHEET AS AT 31st MARCH 2009**

| | Schedules | As at 31.03.2009 Rs. | As at 31.03.2008 Rs. |
|--|-----------|----------------------------|----------------------------|
| Source of Funds | | | |
| (1) Share Holders Funds | | | |
| (a) Share Capital | 1 | 10,10,71,250 | 10,10,71,250 |
| (b) Reserves & Surplus | 2 | 10,95,97,630 | 12,74,31,852 |
| (2) Loan Funds | | | |
| (a) Secured Loans | 3 | 22,03,42,804 | 18,44,45,626 |
| (b) Unsecured Loans | 4 | 2,76,46,661 | 1,31,41,900 |
| (3) Deffered Tax Liability | | 39,43,889 | 39,12,937 |
| Total | | 46,26,02,234 | 43,00,03,565 |
| Application of Funds | | | |
| (1) Fixed Assets | 5 | | |
| (a) Gross Block | | 18,90,21,459 | 19,24,70,717 |
| (b) Less: Depreciation | | 5,92,43,180 | 5,43,19,854 |
| (c) Net Block | | 12,97,78,279 | 13,81,50,863 |
| (d) Capital Work-in-progress | | 16,18,470 | 1,05,51,408 |
| (2) Investments | 6 | 2,96,93,721 | 82,43,721 |
| (3) Current Assets, Loans and Advances: | | | |
| (a) Inventories | 7 | 7,27,67,807 | 8,99,34,664 |
| (b) Sundry Debtors | 8 | 13,66,87,065 | 19,47,44,958 |
| (c) Cash & Bank Balance | 9 | 11,22,03,858 | 3,20,35,175 |
| (d) Other Current Assets | 10 | 2,93,17,657 | 4,42,86,999 |
| (e) Loans and advances | 11 | 1,88,13,358 | 1,78,80,492 |
| Total (I) | | 36,97,89,745 | 37,88,82,288 |
| Less : | | | |
| (4) Current Liabilities & Provisions: | | | |
| (a) Liabilities | 12 | 5,18,61,027 | 6,02,12,405 |
| (b) Provisions | 13 | 1,64,16,954 | 4,56,12,310 |
| Total (II) | | 6,82,77,980 | 10,58,24,715 |
| Net Current Assets (I - II) | | 30,15,11,764 | 27,30,57,573 |
| Total | | 46,26,02,234 | 43,00,03,565 |
| Accounting Policies & Notes on Accounts | 19 | | |

Schedule 1 to 13 and 19 referred to above form an integral part of Balance Sheet

For Jeeravla & Co
Chartered AccountantsSohan C.J. Parmar
Proprietor
M.No.22321

For and on behalf of the Board

Anil Kumar Bansal
Managing DirectorSunil Kumar Bansal
DirectorK.Kumaravel
GM Finance &
Company SecretaryPlace : Chennai
Date : 30.07.2009

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2009

| | Schedules | Year ended 31.03.2009 Rs. | Year ended 31.03.2008 Rs. |
|---|-----------|---------------------------------|---------------------------------|
| Income | | | |
| Sales | 14 | 1,20,14,70,239 | 1,59,29,75,669 |
| Other Income | 15 | 2,71,21,738 | 42,07,485 |
| Increase / (Decrease in Stock) | 16 | (24,45,066) | 1,65,79,144 |
| Total (A) | | <u>1,22,61,46,911</u> | <u>1,61,37,62,298</u> |
| Expenditure | | | |
| Purchases | | 2,76,95,952 | 2,81,10,586 |
| Manufacturing, Adminstartive & Selling expenses | 17 | 1,15,23,27,410 | 1,45,26,60,054 |
| Finance charges | 18 | 3,74,26,340 | 4,05,26,156 |
| Depreciation | | 1,59,65,844 | 1,48,23,850 |
| Total (B) | | <u>1,23,34,15,546</u> | <u>1,53,61,20,646</u> |
| Profit before Tax (PBT) (A-B) | | (72,68,635) | 7,76,41,652 |
| Current Tax | | 41,24,652 | 2,75,14,469 |
| Fringe Benefit Tax | | 4,81,886 | 3,42,721 |
| Deferred Tax | | 30,953 | 6,69,249 |
| Profit after tax | | (1,19,06,126) | 4,91,15,213 |
| Add: Prior Year adjustments | | 3,16,066 | 22,62,406 |
| Less: Excess provision for tax written back | | 3,31,746 | (1,43,303) |
| Profit available for Appropriations | | (1,19,21,806) | 5,15,20,922 |
| Add: Last Year Balance | | | 4,69,40,976 |
| Balance Availalable for approprotion | | (1,19,21,806) | 9,84,61,898 |
| General Reserve | | - | 30,00,000 |
| Proposed Dividend | | 50,53,563 | 1,21,28,550 |
| Tax on Dividend | | 8,58,853 | 20,61,247 |
| Balance Carreid to Balance Sheet | | (1,78,34,222) | 8,12,72,101 |
| No of Shares | | 1,01,07,125 | 1,01,07,125 |
| Basic and Diluted Earnings per share of | | | |
| Face value of Rs 10 each(Refer Note No.17 of Schedule 19) | | (1.18) | 4.86 |

Accounting Policies & Notes on Accounts 19

Schedule 14 to 19 referred to above form an integral part of Profit & Loss Account

For Jeeravla & Co
Chartered Accountants

For and on behalf of the Board

Sohan C.J. Parmar
Proprietor
M.No.22321

Anil Kumar Bansal
Managing Director

Sunil Kumar Bansal
Director

K.Kumaravel
GM Finance &
Company Secretary

Place : Chennai
Date : 30.07.2009

PONDY OXIDES AND CHEMICALS LIMITED**CASH FLOW STATEMENT FOR THE YEAR 2008-2009**

| PARTICULARS | 2008-2009 Rs. | 2007-2008 Rs. |
|---|------------------|------------------|
| 1 Cash Flow from Operating activity | | |
| (A) Profit before taxes | (72,68,635) | 7,76,41,652 |
| (B) Adjustments for: | | |
| Add: | | |
| Depreciation as per The Companies Act 1956 | 1,59,65,844 | 1,48,23,850 |
| Interest Paid | 3,74,26,340 | 4,05,26,156 |
| Less: | | |
| Profit on foreign exchange fluctuation | 27,75,208 | 10,43,141 |
| Dividend income | 4,430 | 3,790 |
| Interest received | 48,05,451 | 28,17,350 |
| Profit on sale of assets | 1,86,63,523 | 1,97,853 |
| Miscellaneous Income | 8,73,126 | 1,45,351 |
| (C) Operating Profit from Working Capital Changes (A + B) | 1,90,01,811 | 12,87,84,173 |
| (D) Adjustments for: | | |
| (Increase) / Decrease in Inventories | 1,71,66,857 | (3,52,19,954) |
| (Increase) / Decrease in Sundry debtors | 5,80,57,893 | 1,41,95,870 |
| (Increase) / Decrease in Loans & advances | 20,67,134 | 1,88,76,616 |
| (Increase) / Decrease in Other current assets | 1,49,69,342 | (4,49,35,763) |
| Increase / (Decrease) in Sundry Creditors | (83,51,378) | 3,03,00,818 |
| increase / (Decrease) in Other Current Liabilities & provisions | (2,53,67,941) | (91,16,362) |
| NET CASH FROM WORKING CAPITAL CHANGES | | |
| Income Tax paid | (30,00,000) | (1,60,00,000) |
| (E) Net Cash flow from operating activities (C - D) | 7,45,43,718 | 8,68,85,398 |
| 2 Cash Flow from Investing Activities | | |
| Adjustments for: | | |
| Add: | | |
| Proceeds from Sale of Fixed Assets | 3,96,30,485 | 6,35,000 |
| Adjustment to Capital work-in-progress | 89,32,938 | 53,26,844 |
| Dividend received | 4,430 | 3,790 |
| Interest received | 48,05,451 | 28,17,350 |
| Less: | | |
| Increase / (Decrease) in Investments | 2,14,50,000 | - |
| Purchase of Fixed Assets | 2,87,32,474 | 4,41,32,977 |
| Net Cash From Investing Activities | 31,90,829 | (3,53,49,993) |
| 3 Cash Flow from Financing Activities | | |
| Adjustments for: | | |
| Add: | | |
| Increase / (Decrease) in Secured loans | 3,58,97,178 | 28,71,648 |
| Increase / (Decrease) in Unsecured loans | 1,45,04,761 | 50,18,187 |
| Profit on Foreign exchange fluctuation | 27,75,208 | 10,43,141 |
| Miscellaneous Income | 8,73,126 | 1,45,351 |
| Less: | | |
| Dividend Paid | 1,41,89,797 | 1,41,89,797 |
| Interest Paid | 3,74,26,340 | 4,05,26,156 |
| Net cash from / (used) from Financing Activities | 24,34,137 | (4,56,37,626) |
| Net Increase / (Decrease) in Cash & Cash Equivalents (1 + 2 + 3) | 8,01,68,684 | 58,97,779 |
| Cash & Cash Equivalents as at 01.04.2008 | 3,20,35,175 | 2,61,37,393 |
| Cash & Cash Equivalents as at 31.03.2009 | 11,22,03,859 | 3,20,35,172 |

For Jeeravla & Co
Chartered Accountants

For and on behalf of the Board

Sohan C.J. Parmar
Proprietor
M.No.22321

Anil Kumar Bansal
Managing Director

Sunil Kumar Bansal
Director

K.Kumaravel
GM Finance &
Company Secretary

Place : Chennai
Date : 30.07.2009

SCHEDULES ATTACHED TO AND FORMING PART OF BALANCE SHEET

| | As at 31.03.2009 Rs. | As at 31.03.2008 Rs. |
|--|----------------------------|----------------------------|
| SCHEDULE - 1 | | |
| 1 Share Capital | | |
| Authorised Capital (11500000 Equity shares of Rs.10/- each) | 11,50,00,000 | 11,50,00,000 |
| Issued Share Capital (Being 1,01,07,125 Equity shares of Rs.10/- each) | 10,10,71,250 | 10,10,71,250 |
| Subscribed & Paid up (Being 1,01,07,125 Equity shares of Rs.10/- each) | 10,10,71,250 | 10,10,71,250 |
| | 10,10,71,250 | 10,10,71,250 |
| Of the Above Equity Shares (Includes 14,20,007 equity shares of Rs. 10 each are allotted as fully paid up by way of bonus shares) Of the above, 7,50,000 shares of Rs. 10 each are allotted to promoters of the company otherwise than for cash) | | |
| 2 Reserves & Surplus | | |
| Share Premium Account | 3,67,80,198 | 3,67,80,198 |
| Other reserves | | |
| General Reserve | 93,79,554 | 93,79,554 |
| Profit & Loss Account(current year Profit / (Loss) | (1,78,34,222) | 5,15,20,921 |
| Add: Transferred from Profit & Loss account | 8,12,72,100 | 2,97,51,179 |
| | 10,95,97,630 | 12,74,31,852 |
| 3 Secured Loans | | |
| Loans and advances from Bank | | |
| Term Loan | | |
| For Plant & Machinery / Buildings | 2,11,27,263 | 3,09,26,834 |
| For vehicles | 9,38,098 | 15,06,104 |
| Working Capital | | |
| From Banks | 19,05,89,099 | 14,48,94,205 |
| Others | 76,88,344 | 71,18,483 |
| | 22,03,42,804 | 18,44,45,626 |
| 1 Term loan for Plant & Machinery and working capital loans from Banks are secured by way of hypothecation of stocks and book debts of the company and guaranteed by the Directors of the company | | |
| 2 Vehicle Loans are secured by hypothecation of Vehicles | | |
| 3 Working Capital loans from Others are secured by pledge of Keyman Insurance Policy | | |

PONDY OXIDES AND CHEMICALS LIMITED

SCHEDULES CONTINUED...

| | As at 31.03.2009 Rs. | As at 31.03.2008 Rs. |
|--------------------------|----------------------------|----------------------------|
| 4 Unsecured Loans | | |
| From Banks | - | 610,292 |
| From Others | | |
| Directors & Relatives | 2,49,34,315 | 1,11,09,742 |
| Others | 27,12,346 | 14,21,866 |
| | 2,76,46,661 | 1,31,41,900 |

SCHEDULE - 5 : Fixed Assets

| Sl. No. | Description | Gross block | | | | Depreciation | | | | Net block | | |
|---------|------------------------------|---------------------|---------------|----------------------------|---------------------|---------------------|------------------|---------------|----------------------|----------------------|----------------------|--|
| | | As on 1.04.2008 Rs. | Additions Rs. | Deduction/ Adjustments Rs. | Ason 31.03.2009 Rs. | Upto 31.03.2008 Rs. | For the Year Rs. | Deduction Rs. | As on 31.03.2009 Rs. | As on 31.03.2008 Rs. | As on 31.03.2009 Rs. | |
| 1 | Free hold land | 1,51,29,127 | — | 4,41,630 | 1,46,87,497 | 2,38,896 | 97,157 | — | 3,36,053 | 1,48,90,231 | 1,43,51,444 | |
| 2 | Building | 7,35,71,758 | 99,23,575 | 1,07,95,427 | 7,26,99,906 | 1,67,60,280 | 52,63,901 | 34,74,834 | 1,85,49,347 | 5,68,11,478 | 5,41,50,559 | |
| 3 | Plant & machinery | 7,44,44,630 | 1,72,85,997 | 1,57,17,701 | 7,60,12,926 | 2,64,55,245 | 73,41,506 | 52,22,765 | 2,85,73,986 | 4,79,89,384 | 4,74,38,940 | |
| 4 | Furniture & Office Equipment | 63,39,596 | 5,82,526 | 8,28,328 | 60,93,793 | 35,38,802 | 6,64,794 | 4,19,187 | 37,84,409 | 28,00,793 | 23,09,384 | |
| 5 | Vehicles | 54,26,520 | 2,44,000 | — | 56,70,520 | 19,84,462 | 9,46,878 | — | 29,31,340 | 34,42,058 | 27,39,179 | |
| 6 | Lab Equipments | 52,14,469 | — | 11,76,903 | 40,37,566 | 17,85,177 | 4,62,884 | 5,29,613 | 17,18,447 | 34,29,292 | 23,19,118 | |
| 7 | Electrical fittings | 1,23,44,618 | 6,96,376 | 32,21,744 | 98,19,251 | 35,56,992 | 11,88,724 | 13,96,119 | 33,49,597 | 87,87,627 | 64,69,654 | |
| | | 19,24,70,718 | 2,87,32,474 | 3,21,81,733 | 18,90,21,459 | 5,43,19,854 | 1,59,65,844 | 1,10,42,518 | 5,92,43,179 | 13,81,50,863 | 12,97,78,278 | |
| | Previous Year 2007-08 | 14,99,33,676 | 4,41,32,977 | 15,95,934 | 19,24,70,719 | 4,06,54,793 | 1,48,23,849 | 11,58,788 | 5,43,19,854 | 10,92,78,882 | 13,81,50,865 | |

6 Investments

Quoted

| | | |
|---|--------|--------|
| 60(60) Equity Shares Of Rs 675 each fully paid in ONGC | 42,750 | 42,750 |
| 1000(1000) Equity Shares of Rs.10/- each in Henkel Spic (I) Ltd | 59,625 | 59,625 |
| 100(100) Equity Shares of Rs.10/- each in Bata (India) Ltd. | 15,896 | 15,896 |
| 300(300)Equity Shares of Rs.10/- each in Indian Overseas Bank | 7,200 | 7,200 |
| 100(100) Equity Shares of Rs.10/- each in UCO Bank | 1,200 | 1,200 |
| 100 (100) Equity Shares of Rs.10/-each in Vijaya Bank | 2,400 | 2,400 |

SCHEDULES CONTINUED...

| | As at 31.03.2009 Rs. | As at 31.03.2008 Rs. |
|--|----------------------------|----------------------------|
| Unquoted | | |
| 781465(781465) Equity Shares Of Rs.10/- each in Baschem Pharma Ltd.,(Subsidiary) | 78,14,650 | 78,14,650 |
| 459000(30000) Equity Shares of Rs.10/- each fully paid in Lohia Metals Pvt Ltd., (Subsidiary) | 2,17,50,000 | 3,00,000 |
| | 2,96,93,721 | 82,43,721 |
| (Market Value of Quoted Investments is Rs 88,222 (Rs 1,24,834)) | | |
| 7 Inventories | | |
| (As valued and certified by the management) | | |
| Raw materials | 2,45,79,403 | 4,05,00,227 |
| Work in progress | 60,72,363 | 1,63,50,954 |
| Finished goods | 3,62,27,775 | 2,83,94,250 |
| Consumables | 58,88,266 | 46,89,233 |
| | 7,27,67,807 | 8,99,34,664 |
| 8 Sundry Debtors | | |
| (Unsecured and Considered Good) | | |
| Outstanding for more than six months | 17,67,182 | 81,85,041 |
| Other debts | 13,49,19,883 | 18,65,59,917 |
| | 13,66,87,065 | 19,47,44,958 |
| 9 Cash & Bank Balance | | |
| Cash on hand | 4,33,710 | 4,86,329 |
| Bank Balances | | |
| In current accounts (Schedule Banks) | 47,95,539 | 66,36,536 |
| Fixed Deposit | 10,69,74,609 | 2,49,12,310 |
| | 11,22,03,858 | 3,20,35,175 |
| 10 Other Current Assets | | |
| (Advances recoverable in cash or in kind or for value to be received) | | |
| Deposits | 1,73,73,371 | 1,51,33,418 |
| Taxes | 45,39,806 | 1,65,71,571 |
| Others | 46,00,509 | 1,25,64,608 |
| Interest Accrued but not due | 28,03,971 | 17,402 |
| | 2,93,17,657 | 4,42,86,999 |

PONDY OXIDES AND CHEMICALS LIMITED

SCHEDULES CONTINUED...

| | As at 31.03.2009 Rs. | As at 31.03.2008 Rs. |
|---|----------------------------|----------------------------|
| 11 Loans & Advances | | |
| (Unsecured, Considered good unless otherwise specified) | | |
| (Advances recoverable in cash or in kind or for value to be received) | | |
| Staff Loans and advances | 3,30,320 | 7,14,243 |
| Loans and Advance to Others | 1,84,83,038 | 1,71,66,249 |
| | 1,88,13,358 | 1,78,80,492 |
| 12 Current Liabilities | | |
| Sundry Creditors | | |
| For trade | 3,33,01,110 | 3,21,36,283 |
| For expenses | 24,52,446 | 25,06,662 |
| For Capital Expenditure | 10,20,460 | 18,97,259 |
| Other current liabilities | 1,45,06,162 | 2,32,48,612 |
| Unclaimed Dividends | 5,80,849 | 4,23,589 |
| | 5,18,61,027 | 6,02,12,405 |
| 13 Provisions | | |
| For Taxation | 1,05,18,954 | 4,21,06,310 |
| For Others | 58,98,000 | 35,06,000 |
| | 1,64,16,954 | 4,56,12,310 |

SCHEDULES CONTINUED...

SCHEDULES ATTACHED TO AND FORMING PART OF THE PROFIT & LOSS ACCOUNT

| | Year ended 31.03.2009 Rs. | Year ended 31.03.2008 Rs. |
|--|---------------------------------|---------------------------------|
| 14 Sales & Other Income | | |
| Domestic Sales | 1,40,74,67,104 | 1,77,32,75,870 |
| Export Sales | 16,64,73,901 | 17,13,13,955 |
| Conversion charges received | 63,87,218 | 22,51,575 |
| | 1,58,03,28,223 | 1,94,68,41,400 |
| Less: Returns | 77,75,562 | 64,27,750 |
| Less : Interunit Sales | 37,10,82,422 | 34,74,37,981 |
| Net Sales | 1,20,14,70,239 | 1,59,29,75,669 |
| 15 Other Income | | |
| Dividend from Others | 4,430 | 3,790 |
| Profit on sale of Fixed assets | 1,86,63,523 | 1,97,853 |
| Foreign exchange income | 27,75,208 | 10,43,141 |
| Interest received, | 48,05,451 | 28,17,350 |
| Miscellaneous income | 8,73,126 | 1,45,351 |
| | 2,71,21,738 | 42,07,485 |
| 16 Increase / (Decrease) in Stock | | |
| Closing Stock | | |
| Finished goods | 3,62,27,775 | 2,83,94,250 |
| Work in progress | 60,72,363 | 1,63,50,954 |
| | <u>4,23,00,138</u> | <u>4,47,45,204</u> |
| Opening Stock | | |
| Finished goods | 2,81,86,349 | 1,96,28,838 |
| Work in progress | 1,65,58,855 | 85,37,222 |
| | <u>4,47,45,204</u> | <u>2,81,66,060</u> |
| | (24,45,066) | 1,65,79,144 |
| 17 Manufacturing and Other Expenses | | |
| Raw Materials consumed | 88,43,62,368 | 1,02,31,21,610 |
| Manufacturing expenses | | |
| Processing & other charges | 65,56,158 | 59,81,918 |
| Other direct expenses | 1,81,08,761 | 1,78,59,767 |
| Power & fuel consumed | 4,59,33,237 | 3,80,02,988 |
| Repair - machinery | 51,53,260 | 46,93,448 |
| Repairs - Buildings | 15,82,758 | 6,78,737 |
| Repairs - Others | 14,53,492 | 12,04,403 |

PONDY OXIDES AND CHEMICALS LIMITED**SCHEDULES CONTINUED...**

| | Year ended 31.03.2009 Rs. | Year ended 31.03.2008 Rs. |
|--|---------------------------------|---------------------------------|
| Establishment Expenses | | |
| Salaries, wages and bonus | 2,41,61,457 | 2,08,24,265 |
| Contribution to Provident fund, Gratuity fund etc... | 48,65,072 | 33,21,501 |
| Other amenities | 37,90,065 | 27,45,095 |
| Administrative expenses | | |
| Auditors fee | 2,80,900 | 2,80,900 |
| Communication | 17,18,162 | 21,60,687 |
| Entertainment expenses | 3,42,121 | 7,32,956 |
| Fees & taxes | 5,21,964 | 6,00,882 |
| General expenses | 23,48,325 | 14,17,681 |
| Insurance | 28,08,895 | 32,55,462 |
| Office maintenance | 12,51,775 | 7,16,092 |
| Professional fee | 6,00,089 | 9,41,294 |
| Rent | 5,68,656 | 5,47,326 |
| Subscriptions & periodicals | 4,06,768 | 64,748 |
| Travelling expenses | 40,45,535 | 31,61,098 |
| Vehicle maintenance | 13,35,813 | 11,32,850 |
| Selling expenses | | |
| Business promotion, advertisement expenses & others | 13,77,011 | 10,80,694 |
| Commission | 14,17,092 | 26,54,083 |
| Discounts & rebates | 57,34,994 | 5,89,24,335 |
| Bad debts | 75,922 | 16,88,067 |
| Excise & other taxes | 11,73,65,836 | 24,15,74,508 |
| Freight outwards | 1,41,47,156 | 1,31,72,465 |
| Warranty expenses | 13,768 | 1,20,194 |
| | 1,15,23,27,410 | 1,45,26,60,054 |
| 18 Finance Charges | | |
| Bank | 3,46,78,132 | 3,86,93,375 |
| Others | 27,48,208 | 18,32,781 |
| | 3,74,26,340 | 4,05,26,156 |

SCHEDULE 19

ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES:

A. Basis of preparation :

The accompanying financial statements have been prepared to comply in all material respects with the notified accounting standard by Companies Accounting Standard Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are materially consistent with those used in the previous year.

B. Use of estimates :

The preparation of financial statements are in conformity with generally accepted accounting principles in India requires Management to make estimates and the assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. Although these estimates are based upon Management's best knowledge of current events and actions, actual results could differ from these estimates.

C. Revenue recognition :

Revenue from sale of products is recognized on despatch of goods in accordance with the terms of sale and is inclusive of excise duty but excluding VAT. Revenue arising due to price escalation claim is recognized in the period when such claim is made in accordance with terms of sale.

Inter-division transfers for captive consumption are eliminated from sales of the respective division. Revenue from services is recognized in accordance with the specific terms of contract on performance.

Dividend Income on investment is accounted for, as and when the right to receive the payment is established.

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

Product warranty costs are recognized upon receipt and acceptance of claim.

D. Fixed Assets :

1) Fixed Assets are shown at the cost of acquisition / construction which includes taxes, duties (net of CENVAT / VAT set offs availed) and other identifiable direct expenses. Borrowing cost directly attributable up to the period of the assets put to use is included in the cost of distinct fixed assets.

a. Expenditure on new project

Expenditure directly related to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto.

b. Depreciation:

1. Depreciation on Fixed assets is charged on W.D.V. method at the rates and in the manner as specified in the Schedule XIV of the Companies Act, 1956.

2. The cost and the accumulated depreciation for fixed assets sold, retired or otherwise disposed off are removed from the stated values and the resulting gains and losses are recognized in the profit and loss account.

c. Leasehold land

Leasehold lands are amortized over the period of the lease.

d. Capital Work in Progress :

Assets under installation or under construction as at the balance sheet date are shown as capital work in progress. Advances paid towards acquisition / construction of assets is also included under capital work in progress.

E. Impairment of Assets :

1. The carrying amounts of assets are reviewed at each balance sheet date to see if there is any indication of impairment based on internal / external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.
2. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

F. Investments :

- a. Long-term investments are carried at cost. Current investments are carried at cost or market value which ever is lower. Provision for diminution in the value of long-term investments is made only if such decline is not temporary in the opinion of the management.
- b. Cost of investment is at the cost of acquisition to the Company.

G. Inventories :

- a. Inventories are valued at lower of cost and net realizable value, cost being ascertained on the following basis:
 - i. Stores, spares, consumable tools, raw materials and components : on moving weighted average basis
 - ii. Work-in-progress, finished / trading goods : under absorption costing method
- b. Cost includes taxes and duties and is net of credits under Cenvat / Vat scheme.
- c. By products are valued at estimated net realizable value.

H. Foreign currency transactions :

- i) Transaction in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction and Foreign Exchange fluctuation on transaction settled during the year are recognized in the Profit & Loss account.
- ii) In case of items, which are covered by forward exchange contracts, the difference between the year end rate and rate on the date of contract is recognized as exchange difference and the premium paid on forward contracts is recognized over the life of the contract.
- iii) The year-end foreign currency assets and liabilities are restated at the closing exchange rates.
- iv) The exchange differences on transactions relating to acquisition of fixed assets are adjusted to the carrying amount of fixed assets.

I. Employee retirement benefit :

Company's contribution to provident fund and pension fund is charged to Profit and Loss account on accrual basis.

Liability for gratuity is charged to Profit and Loss account on actuarial basis

J. Taxes on Income

Current Tax

Current Tax is determined in accordance with the applicable tax laws, on the amount of tax payable in respect of taxable income for the period.

Deferred Tax

The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

NOTES ON ACCOUNTS:

1. Contingent Liabilities not provided for: (Rs in Lakhs)

| S.No | Nature of Contingency | Current Year Figure | Last Year Figure |
|------|-----------------------|---------------------|------------------|
| 1. | Bill Discounting | 94.60 | Nil |
| 2. | Letter of Credit | 379.77 | 622.35 |
| 3. | Bank Guarantee | NIL | 1.36 |
| 4. | Capital WIP | -28.81 | 56.50 |

2. All secured loans availed from the banks are personally guaranteed by four Promoter Whole Time Directors.

3. The Company has given Corporate Guarantee of Rs.30 lakhs (Rs.30 lakhs) on behalf of Subsidiary Company M/s. Baschem Pharma Limited and Rs.NIL (Rs.1100 lakhs) on behalf of the Subsidiary company M/s.Lohia Metals Pvt Ltd., in respect of loans and advances granted to them by bank.

4. Sundry debtors of Rs.0.76 lakhs (Rs.16.88 lakhs), being non-recoverable has been written off as bad debts.

5. Unutilized DEEC license on account of deemed exports outstanding at the year-end is Rs. 54.89 lakhs (Rs.52.95 lakhs).

6. The Company after obtaining the shareholders approval through postal ballot on 26/05/08, has disposed off the Unit III (battery unit) and earned a profit of Rs 186.63 lakhs.

7. Auditors Remuneration

Statutory Audit : Rs. 2.00 lakhs (Rs.2.00 lakhs)

Tax Audit : Rs. 0.50 lakhs (Rs.0.50 lakhs)

Others : Rs. 0.31 lakhs (Rs.0.31 lakhs)

PONDY OXIDES AND CHEMICALS LIMITED

8. CIF Value of Imports on Cash Basis

| | | |
|---------------|---|--|
| Raw materials | : | Rs. 5,492.83 lakhs (Rs.6,498.83 lakhs) |
| Capital Goods | : | Rs. Nil lakhs (Rs 42.20 lakhs) |

9. Expenditure in Foreign Currencies on Cash Basis

| | | |
|--------------------|---|--------------------------------|
| Traveling Expenses | : | Rs. 3.61 lakhs (Rs.0.40 lakhs) |
|--------------------|---|--------------------------------|

10. Earnings in Foreign Exchange on Cash Basis - Exports

| | | |
|--------|---|---------------------------------------|
| Sales | : | Rs 1664.74 lakhs (Rs. 1,533.55 lakhs) |
| Others | : | Nil (Rs. 21.81 lakhs) |

11. Consumption of Imported and Indigenous Raw Materials and percentage to total consumption

| | 2008-2009 | | 2007-2008 | |
|------------|-----------------------|-----|-----------------------|-----|
| | Value Rs. in lakhs | % | Value Rs. in lakhs | % |
| Imported | 6,534.28 | 74 | 8,084.53 | 78 |
| Indigenous | 2,309.34 | 26 | 2,234.44 | 22 |
| Total | 8,843.62 | 100 | 10,318.97 | 100 |

12. Raw Materials consumed :

| | 2008-2009 | | 2007-2008 | |
|--------------------|---------------------|-----------------------|---------------------|-----------------------|
| | Quantity (in Mt) | Value Rs. in lakhs | Quantity (in Mt) | Value Rs. in lakhs |
| Zinc Metal | 1,341 | 1,032.06 | 2118 | 2,434.21 |
| Lead Metal | 3,059 | 2,766.57 | 7325 | 6,517.35 |
| Stearic Acid | 1,553 | 761.53 | 1422 | 625.57 |
| Litharge | 308 | 301.97 | 723 | 472.06 |
| Ore, Ash & Battery | 2,206 | 669.62 | - | - |
| Lead Scrap Radio | 3,000 | 2,714.57 | - | - |
| Other Chemicals | | 597.30 | | 269.78 |
| Total | | 8,843.62 | | 10,318.97 |

13. Net Dividend remitted in Foreign Currency :

| | 2008-2009 | 2007-2008 |
|---|--------------|--------------|
| 1. Number of Non Resident Shareholders | 35 | 23 |
| 2. Number of Equity Shares held by them | 4,76,482 | 1,30,215 |
| 3. Amount Remitted in Foreign Currency | Rs. 5,72,142 | Rs. 1,56,301 |
| 4. Year to which dividends relate | 2007-2008 | 2006-2007 |

14. Details of licensed capacity and actual production :

| Class of Products | Licensed Capacity | Unit | Installed Capacity | Actual Production |
|--------------------------|-------------------|------|--------------------|-------------------|
| Metals & Metallic Oxides | NA | Mt | 33460 (33460) | * 10104 (8649) |
| Plastic Additives | NA | Mt | 6000 (4200) | 4165 (3620) |
| Batteries | 120000 | Nos. | Nil (96000) | NIL (7553) |

Licensed and installed capacity is as per the certificate given by the Management, on which the auditors have relied.

- Excludes interunit transfer production of 3454 M T (previous year 2510 M T) for captive consumption.

15. Details of opening and closing stock of goods produced : (Value Rs In Lakhs)

| | OPENING STOCK | | | | CLOSING STOCK | | | |
|-------------------|--------------------------|-----------------------|------------------|------------------|-----------------------|-----------------------|------------------|------------------|
| | Qty (08-09) M t | Qty (07-08) M t | Value (08-09) | Value (07-08) | Qty (08-09) M t | Qty (07-08) M t | Value (08-09) | Value (07-08) |
| | Metals & Metallic Oxides | 264 | 113 | 200.99 | 115.57 | 153 | 264 | 174.68 |
| Plastic Additives | 131 | 92 | 118.09 | 59.16 | 295 | 131 | 244.35 | 118.09 |
| Batteries (Nos.) | 949 | 627 | 28.39 | 16.87 | 0 | 949 | NIL | 28.39 |

16. Details of sales turnover (Value Rs In Lakhs)

| | Qty in Mt (2008-09) | Qty in Mt (2007-08) | Value (2008-09) | Value (2007-08) |
|--------------------------|------------------------|------------------------|--------------------|--------------------|
| Metals & Metallic Oxides | 10215 | 8498 | 8,134.37 | 11,830.39 |
| Plastic Additives | 4001 | 3581 | 3,897.09 | 3,821.93 |
| Batteries (Nos.) | 949 | 7231 | 61.21 | 277.44 |

17. Earnings per share

| | <u>2009</u> | <u>2008</u> |
|---|-------------|-------------|
| Net Profit attributable to Share Holders (Rs. in lakhs) | (119.06) | 491.14 |
| No of Shares | 1,01,07,125 | 1,01,07,125 |
| Weighted average No of Equity Shares | 1,01,07,125 | 1,01,07,125 |
| Basic Earnings Per Share (Rs.) | (1.18) | 4.86 |
| Adjusted basic EPS (Rs.) | (1.18) | 4.86 |

18. Remuneration to Managing Director and Whole Time Directors :

| | |
|-------------|------------------------------------|
| Salary | : Rs. 34.82 lakhs (Rs.30.28 lakhs) |
| Perquisites | : Rs. 14.20 lakhs (Rs.13.97 lakhs) |

19. Related Party Transactions

In accordance with Accounting Standard 18, the disclosure required is given below

1. Name of the related Parties and Relationship

Subsidiary: M/s Baschem Pharma Ltd.

M/s.Lohia Metals Pvt Ltd.

2. Other related enterprises

M/s.Ardee Industries Pvt Ltd.

M/s.Bansal Metallic Oxides

M/s.Bansal Chemicals (India)

3. Key Management Personnel

| <u>S.No</u> | <u>Name</u> | <u>Designation</u> |
|-------------|-------------------------|---------------------|
| 1 | Sri. Padam C.Bansal | Chairman |
| 2 | Sri. Anil Kumar Bansal | Managing Director |
| 3 | Sri. Sunil Kumar Bansal | Whole Time Director |
| 4 | Sri. R.P.Bansal | Whole Time Director |
| 5 | Sri. Devakar Bansal | Whole Time Director |
| 6 | Sri. Y.V.Raman | Whole Time Director |

4. Relatives of Key Management Personnel

| <u>S.No</u> | <u>Name</u> | <u>Relationship</u> |
|-------------|---------------------------|---|
| 1 | Sri. Pawan Bansal | S/o. Sri.R.P.Bansal |
| 2 | Sri. Ashish Bansal | S/o. Sri.Anil Kumar Bansal |
| 3 | Smt. Manju Bansal | W/o. Sri.Anil Kumar Bansal |
| 4 | Smt. Neelam Bansal | W/o. Sri.Sunil Kumar Bansal |
| 5 | Smt. Saroj Bansal | W/o. Sri.R.P.Bansal |
| 6 | Smt. Vandana Bansal | W/o. Sri.Devakar Bansal |
| 7 | Smt. Shashi Gupta | Sister of Sri.Anil Kumar.Bansal |
| 8 | Sri. Narendra Kumar Gupta | Sister's husband of Sri Anil Kumar.Bansal |

II. Details relating to parties referred to in items (1) (2) (3) & (4) above. (Rs. in lakhs)

| Nature of Transaction | Subsidiary | Other related enterprises | Key Management Personnel | Relatives of Key Management Personnel |
|--|---------------------|----------------------------------|---------------------------------|--|
| PURCHASES | | | | |
| Goods & Materials | 1089.27 (330.27) | 59.72 (1,015.06) | NIL (NIL) | NIL (NIL) |
| SALES | | | | |
| Goods & Materials | 227.02 (252.97) | 174.24 (759.31) | NIL (NIL) | NIL (NIL) |
| Conversion charges received | 63.87 (NIL) | NIL (NIL) | NIL (NIL) | NIL (NIL) |
| EXPENSES | | | | |
| Job Work Charges | 8.90 (14.27) | 44.89 (23.66) | NIL (NIL) | NIL (NIL) |
| Remuneration | NIL (NIL) | NIL (NIL) | 49.03 (44.25) | 3.00 (1.87) |
| Interest Paid | 0.07 (NIL) | 1.26 (5.43) | 10.88 (3.08) | 9.12 (4.82) |
| Interest received | 5.36 (NIL) | 1.50 (5.74) | NIL (0.05) | NIL (NIL) |
| Consignment proceeds | 0.13 (NIL) | NIL (0.68) | NIL (NIL) | NIL (NIL) |
| Professional Charges | NIL (NIL) | NIL (3.00) | NIL (NIL) | NIL (NIL) |
| Total | 14.46 (14.27) | 47.65 (34.83) | 59.91 (47.38) | 12.12 (6.69) |
| FINANCE AND INVESTMENTS DURING THE YEAR | | | | |
| Inter corporate Deposit paid | 564.95 (NIL) | NIL (288.02) | NIL (NIL) | NIL (NIL) |
| Inter corporate Deposit Received | NIL (NIL) | 96.32 (226.05) | NIL (NIL) | NIL (NIL) |
| Loan Taken | NIL (NIL) | NIL (NIL) | 208.55 (162.80) | 73.20 (7.50) |
| OUTSTANDING | | | | |
| Payable | 84.98 (20.00) | 0.35 (9.96) | NIL (23.43) | NIL (42.00) |
| Receivable | 5.92 (0.04) | 1.02 (192.55) | NIL (NIL) | NIL (NIL) |
| Inter corporate Deposits | 4.09 (NIL) | 39.82 (NIL) | NIL (NIL) | NIL (NIL) |

PONDY OXIDES AND CHEMICALS LIMITED**20. Segment Reporting**

Segmental information for the year 2008 – 09 Information about primary business segments :

| Sl.No. | Particulars | Amount Rs. in Lakhs |
|--------|--|---------------------|
| 1 | Segment Revenue | |
| | External Turnover | |
| | a. Metal & Metallic Oxides | 11,724.89 |
| | b. Plastic Additives | 3,913.36 |
| | c. Others | 87.27 |
| | Total | 15,725.52 |
| | Less: Inter segment Turnover | 3,710.82 |
| | Net sales / Income from operations | 12,014.70 |
| | Segment Results | |
| 2 | Profit / (loss) (before tax and interest from each segment) | |
| | a. Metal & Metallic Oxides | 66.91 |
| | b. Plastic Additives | 257.70 |
| | c. Others | -33.22 |
| | Total | 291.39 |
| | Less: | |
| | Interest | 374.26 |
| | Other unallocable expenditure net of un-allocable income | -176.45 |
| | Total Profit before Tax before Exceptional Income | -259.32 |
| | Exceptional Income/ Expense | 186.64 |
| | Profit / Loss before tax | -72.68 |
| 3 | Capital employed | |
| | (Segment Assets Less Segment Liabilities) | |
| | a. Metal & Metallic Oxides | 654.73 |
| | b. Plastic Additives | 363.70 |
| | c. Others | -1.92 |
| | d. Unallocated | 1,129.61 |

21. Deferred Taxation

| | As at 31.03.2008 Rs | As at 31.03.2009 Rs |
|---|---------------------------|---------------------------|
| Deferred Tax Liability on account of | | |
| 1 Depreciation | 50.73 (39.66) | 58.94 (50.73) |
| Deferred Tax Asset on account of | | |
| 1 Gratuity | -11.61 (-72.23) | -19.51 (11.61) |
| 2 Expenses allowable for tax Purpose when paid | 0.012 (0) | 0.012 (0.012) |
| 3 Others | 0 | 0 |
| Total | (11.60) (72.23) | 19.49 (11.60) |
| Net Deferred tax liability / (Asset) | 39.13 (32.43) | 39.44 (39.13) |

22. The company has not received the information from vendors regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosure relating to amounts unpaid as at the year end have not been given.

23. Balance in Sundry Debtors/ Creditors and advances amount are subject to confirmation.

24. General:

- i. Previous year's figures have been regrouped wherever necessary
- ii. Figures have been rounded off to the nearest rupee.
- iii. Schedules 1 to 18 and accounting policies and notes (schedule-19) annexed to this Balance Sheet and Profit and Loss Account form part of the accounts and should be read in conjunction therewith.

PONDY OXIDES AND CHEMICALS LIMITED**INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956****BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

| | |
|---|---|
| I. REGISTRATION DETAILS | 2008-09 |
| Registration Number | 30586 |
| State Code | 18 |
| Balance Sheet Date | 31.03.09 |
| II. CAPITAL RAISED DURING THE YEAR | (Amount in Rs.Thousands) |
| Public Issue | - |
| Rights Issue | - |
| Bonus Issue | - |
| Private Placement | - |
| III. POSITION OF MOBILISATION & DEPLOYMENT OF FUNDS | |
| Total Liabilities | 4,62,602 |
| Total Assets | 4,62,602 |
| SOURCES OF FUNDS | |
| Paid up Capital | 1,01,071 |
| Reserves & Surplus | 1,09,598 |
| Secured Loans | 2,20,343 |
| Unsecured Loans | 27,647 |
| Deferred tax | 3,943 |
| APPLICATION OF FUNDS | |
| Net Fixed Assets | 1,31,397 |
| Investments | 29,694 |
| Net Current Assets | 3,01,512 |
| IV. PERFORMANCE OF THE COMPANY | |
| Turnover (including other income) | 12,28,592 |
| Total Expenditure | 12,33,415 |
| Profit (+)/Loss(-) before tax | (7,269) |
| Profit (+)/Loss(-) after tax | (11,906) |
| Earning per share | (1.18) |
| Dividend Rate (%) | 5% |
| V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY (AS PER MONETARY TERMS) | |
| Item Code No.(ITC) | 281700 |
| Product Description | Mfg & Sale of Zinc and Zinc oxide |
| Item Code No.(ITC) | 282400 & 282410 |
| Product Description | Mfg & Sale of Lead, Lead oxides and Plastic additives |
| Item Code No.(ITC) | 850710 |
| Product Description | Lead Acid Batteries |

For and on behalf of the Board

Place : Chennai
Date : 30.07.2009**K.Kumaravel**
GM Finance &
Company Secretary**Sunil Kumar Bansal**
Director**Anil Kumar Bansal**
Managing Director

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT 1956, RELATING TO
BASCHEM PHARMA LIMITED AND LOHIA METALS PVT LTD. SUBSIDIARY COMPANIES**

| Particulars | Baschem Pharma Ltd. | Lohia Metals Pvt Ltd. |
|---|----------------------------|------------------------------|
| The Financial Year of the Subsidiary ended on Number of shares of the subsidiary company held by | March 31, 2009 | March 31, 2009 |
| Equity | 781465 | 459000 |
| Extent of holding | 100% | 51% |
| The net aggregate of Profits / Losses of the subsidiary company for its financial year so far as they concern the members of PONDY Oxides & Chemicals Ltd. | | |
| a. Dealt with in the accounts of PONDY Oxides & Chemicals Ltd., for the year ended March 31, 2009 | — | — |
| b. Not dealt with in the accounts of PONDY Oxides & Chemicals Ltd., for the year ended March 31, 2009 | Rs. 2,75,306 | (5,93,63,110) |
| The Net aggregate of profits / losses of the subsidiary company for its previous financial year so far as they concern the members of | | |
| a. Dealt with in the accounts of PONDY Oxides & Chemicals Ltd., for the year ended March 31, 2009 | — | — |
| b. Not dealt with in the accounts of PONDY Oxides & Chemicals Ltd., for the year ended March 31, 2009 | 84652 | 18823792 |

For and on behalf of the Board

Place : Chennai
Date : 30.07.2009

K.Kumaravel
GM Finance &
Company Secretary

Sunil Kumar Bansal
Director

Anil Kumar Bansal
Managing Director

PONDY OXIDES AND CHEMICALS LIMITED**STATEMENT PURSUANT TO APPROVAL OF THE CENTRAL GOVERNMENT U/S 212(8) OF THE COMPANIES ACT 1956 ABOUT THE FINANCIAL INFORMATION OF THE SUBSIDIARY COMPANIES AS AT MARCH 31, 2009**

(In Rs.)

| Name of the subsidiary | Baschem Pharma Ltd. | Lohia Metals Pvt Ltd. |
|---|---------------------|-----------------------|
| Issued and Subscribed share capital | 78,14,650 | 90,00,000 |
| Reserves | 45,07,466 | 0 |
| Total Assets | 1,45,24,993 | 11,62,08,989 |
| Total Liabilities | 1,45,24,993 | 11,62,08,989 |
| Investments(except investments in Subsidiaries) | 2,26,825 | 27,05,987 |
| Turnover | 1,71,42,044 | 83,04,08,770 |
| Profit/(Loss) before taxation | 3,78,155 | (5,91,57,823) |
| Provision for taxation | 1,02,849 | 2,05,283 |
| Profit/(Loss) after taxation | 2,75,306 | (5,93,63,107) |
| Proposed dividend | 0.00 | 0.00 |

Notes:

1. The Ministry of corporate affairs vide their Order No.47/276/2009-CL-III dated 24.04.09 has granted exemption to the company from the applicability of the provisions of sub-section (1) of section 212 of the companies Act, 1956.
2. The company will make available the annual accounts of the subsidiary companies and related detailed information if sought by the members of the company or its subsidiaries. Further, the annual accounts of the subsidiary companies will also be kept for inspection by any member of the company or its subsidiary at the Registered Office of the company and that of the subsidiary companies concerned.

For and on behalf of the Board

Place : Chennai
Date : 30.07.2009**K.Kumaravel**
GM Finance &
Company Secretary**Sunil Kumar Bansal**
Director**Anil Kumar Bansal**
Managing Director

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

We have audited the attached Consolidated Balance Sheet of Pandy Oxides and Chemicals Limited (the Company) and its Subsidiaries (collectively referred to as "the Group") as at 31st March, 2009, and also the Consolidated Profit and Loss account and the Consolidated Cash Flow statement for the year then ended on that date annexed thereto.

These financial statements are the responsibility of the Company management and have been prepared by the Management in the basis of separate financial statement and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared are free of material misstatements. An audit includes examining, on 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. We believe that our audit provide a reasonable basis for our opinion.

1. We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India, on the basis of the separate audited financial statements of Pandy Oxides and Chemicals Limited and its subsidiary included in the consolidated financial statements.
2. On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Group, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2009;
 - b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Group for the year then ended on the date; and
 - c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flow of the Group for the year then ended on that date..

Place : Chennai
Date : 30.07.2009

For Jeeravla & Co.,
Chartered Accountants
Sohan. C.J. Parmar
Proprietor
Membership No.22321

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2009

| | Schedules | As at 31.03.2009 Rs. | As at 31.03.2008 Rs. |
|--|-----------|----------------------------|----------------------------|
| I. Source of Funds | | | |
| 1 Share Holders Funds | | | |
| Share capital | 1 | 10,04,56,720 | 10,10,20,462 |
| Reserves and surplus | 2 | 7,94,79,485 | 13,15,20,104 |
| 2 Loan funds | | | |
| Secured loans | 3 | 30,55,25,057 | 18,45,41,678 |
| Unsecured loans | 4 | 5,14,05,154 | 1,53,68,571 |
| Deferred Tax Liability | | 44,15,009 | 41,30,709 |
| | | <u>54,12,81,426</u> | <u>43,65,81,524</u> |
| II. Application of Funds | | | |
| 3 Fixed assets | | | |
| Gross block | 5 | 21,88,36,400 | 20,12,32,145 |
| Less: Depreciation | | <u>6,64,49,933</u> | <u>5,98,35,552</u> |
| Net block | | 15,23,86,467 | 14,13,96,593 |
| Capital Work in progress | | 16,18,470 | 1,05,51,407 |
| 4 Investments | 6 | 30,61,883 | 6,55,896 |
| 5 Current assets, loans and advances | | | |
| a) Inventories | 7 | 10,41,71,644 | 9,29,69,103 |
| b) Sundry debtors | 8 | 14,13,37,594 | 19,93,00,064 |
| c) Cash and Bank balances | 9 | 11,84,49,807 | 3,27,18,892 |
| d) Loans and advances | 10 | 1,88,93,858 | 2,00,41,398 |
| e) Other current assets | 11 | 6,68,38,152 | 6,72,42,339 |
| | | 44,96,91,055 | 41,22,71,796 |
| Less : Current liabilities and provisions | | | |
| Current liabilities | 12 | 4,86,16,911 | 8,25,35,000 |
| Provisions | 13 | <u>1,68,59,540</u> | <u>4,57,59,167</u> |
| | | <u>6,54,76,451</u> | <u>12,82,94,167</u> |
| Net Current Assets | | <u>38,42,14,604</u> | <u>28,39,77,629</u> |
| | | <u>54,12,81,424</u> | <u>43,65,81,525</u> |
| Accounting policies & Notes on Accounts | 19 | | |

Schedule 1 to 13, 19 referred to above form an integral part of Balance Sheet.

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

For Jeeravla & Co
Chartered Accountants

For and on behalf of the Board

Sohan C.J. Parmar
Proprietor
M.No.22321

Anil Kumar Bansal
Managing Director

Sunil Kumar Bansal
Director

K.Kumaravel
GM Finance &
Company Secretary

Place : Chennai
Date : 30.07.2009

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2009

| | Schedules | Year ended 31.03.2009 Rs. | Year ended 31.03.2008 Rs. |
|---|--------------|---------------------------------|---------------------------------|
| Income | | | |
| Sales & Other Operating Income | 14 | 1,91,01,13,546 | 1,95,01,68,232 |
| Other income | 15 | 3,09,13,353 | 47,65,233 |
| Increase/(Decrease) in stock | 16 | (67,32,413) | 1,38,66,807 |
| Total (A) | | <u>1,93,42,94,486</u> | <u>1,96,88,00,272</u> |
| Expenditure | | | |
| Purchases | | 15,55,53,541 | 2,87,09,412 |
| Manufacturing, administrative & selling expenses | 17 | 1,77,03,78,303 | 1,80,64,15,493 |
| Interest & finance charges | 18 | 5,67,47,902 | 4,06,87,920 |
| Depreciation | | 1,77,36,791 | 1,51,83,555 |
| Total (B) | | <u>2,00,04,16,537</u> | <u>1,89,09,96,380</u> |
| Profit before tax | (A-B) | (6,61,22,051) | 7,78,03,892 |
| Less : Provision for taxation | | | |
| Current Tax | | 44,74,792 | 2,76,31,918 |
| Fringe Benefit Tax | | 5,53,127 | 3,45,029 |
| Deferred Tax Liability / (Asset) | | (82,295) | 6,31,656 |
| Profit after tax | | (7,10,67,675) | 4,91,95,289 |
| Add : Prior year adjustments | | 4,17,452 | 23,61,851 |
| Add: Adjustment for Income Tax | | (4,36,066) | 1,43,303 |
| Profit after tax and prior year adjustment | | (7,10,86,289) | 5,17,00,443 |
| Add: Balance brought forward from the previous year | | 11,70,96,665 | - |
| Disposable Profit | | 4,60,10,376 | 5,17,00,443 |
| Proposed Dividend | | 50,53,563 | 1,21,28,550 |
| Tax on proposed Dividend | | 8,58,853 | 20,61,247 |
| Transfer to General Reserve | | - | 30,00,000 |
| Balance carried to balance sheet | | 4,00,97,961 | 3,45,10,646 |
| Earning per share - Basic & diluted (Rs.) | | (7.08) | 4.87 |

Accounting policies & Notes on Accounts 19

Schedule 14 to 19 referred to above form an integral part of the Profit & Loss Account

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

For Jeeravla & Co
Chartered Accountants

For and on behalf of the Board

Sohan C.J. Parmar
Proprietor
M.No.22321

Anil Kumar Bansal
Managing Director

Sunil Kumar Bansal
Director

K.Kumaravel
GM Finance &
Company Secretary

Place : Chennai
Date : 30.07.2009

PONDY OXIDES AND CHEMICALS LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2009

| PARTICULARS | | 2008-09 Rs. | 2007-08 Rs. |
|-------------|---|----------------------|----------------------|
| 1 | Cash Flow from Operating Activity | | |
| (A) | Profit before taxes | (6,61,22,051) | 7,78,03,892 |
| (B) | Adjustments for: | | |
| | Add: | | |
| | Depreciation as per the Companies Act 1956 | 1,77,36,791 | 1,51,83,554 |
| | Interest Paid | 5,67,47,902 | 4,06,87,920 |
| | Less: | | |
| | Profit on foreign exchange fluctuation | 27,76,027 | 10,52,666 |
| | Dividend income | 1,64,028 | 4,760 |
| | Interest received | 66,94,856 | 28,37,411 |
| | Profit on sale of assets | 1,86,63,523 | 1,97,853 |
| | Miscellaneous Income | 26,14,919 | 6,72,513 |
| (C) | Operating Profit from Working Capital Changes (A + B) | (2,25,50,711) | 12,89,10,163 |
| (D) | Adjustments for : | | |
| | (Increase) / Decrease in Inventories | (1,12,02,541) | (3,21,32,217) |
| | (Increase) / Decrease in Sundry debtors | 5,79,62,470 | 1,39,16,337 |
| | (Increase) / Decrease in Loans & advances | 41,47,540 | 1,75,54,819 |
| | (Increase) / Decrease in Other current assets | 4,04,187 | (4,35,59,843) |
| | Increase / (Decrease) in Sundry Creditors | (3,39,18,089) | 2,73,97,277 |
| | Increase / (Decrease) in Other Current Liabilities & Provisions | (2,70,31,106) | (93,51,942) |
| | NET CASH FROM WORKING CAPITAL CHANGES | | |
| | Income Tax paid | (30,00,000) | (1,60,00,000) |
| (E) | Net Cash flow from operating activities (C - D) | (3,51,88,249) | 8,67,34,594 |
| 2 | Cash Flow from Investing Activities | | |
| | Adjustments for: | | |
| | Add: | | |
| | Proceeds from Sale of Fixed Assets | 4,08,24,985 | 6,50,000 |
| | Adjustment to Capital work-in-progress | (89,32,937) | 53,26,844 |
| | Dividend received | 1,64,028 | 4,790 |
| | Interest received | 66,94,856 | 28,37,411 |
| | Less: | | |
| | Increase / (Decrease) in Investments | 24,05,987 | - |
| | Purchase of Fixed Assets | 3,77,97,764 | 4,41,32,977 |
| | Net Cash From Investing Activities | (14,52,819) | (3,53,13,932) |
| 3 | Cash Flow from Financing Activities | | |
| | Adjustments for: | | |
| | Add | | |
| | Increase / (Decrease) in Reserves | 2,43,94,353 | - |
| | Increase / (Decrease) in Secured loans | 12,09,83,379 | 87,30,296 |
| | Increase / (Decrease) in Unsecured loans | 3,60,36,583 | (10,07,463) |
| | Profit on Foreign Exchange fluctuation | 27,76,027 | 10,52,666 |
| | Miscellaneous Income | 26,14,919 | 6,72,513 |
| | Less | | |
| | Dividend Paid | 1,41,89,797 | 1,41,89,797 |
| | Interest Paid | 5,67,47,902 | 4,06,87,920 |
| | Net cash from / (used) from Financing Activities | 11,58,67,562 | (4,54,29,705) |
| | Net Increase / (Decrease) in Cash & Cash Equivalents (1 + 2 + 3) | 7,92,26,495 | 59,90,957 |
| | Cash & Cash Equivalents as at 01.04.2008 | 3,92,23,318 | 2,67,27,964 |
| | Cash & Cash Equivalents as at 31.03.2009 | 11,84,49,813 | 3,27,18,890 |

For Jeeravla & Co
Chartered Accountants

Sohan C.J. Parmar
Proprietor
M.No.22321

Place : Chennai
Date : 30.07.2009

For and on behalf of the Board

Anil Kumar Bansal
Managing Director

Sunil Kumar Bansal
Director

K.Kumaravel
GM Finance &
Company Secretary

PONDY OXIDES AND CHEMICALS LIMITED

| | As at 31.03.2009 Rs. | As at 31.03.2008 Rs. |
|---|----------------------------|----------------------------|
| SCHEDULE - 1 | | |
| 1 Share Capital | | |
| Authorised | | |
| 1,15,00,000 (1,15,00,000) Equity shares of Rs.10/- each | 12,57,00,000 | 11,50,00,000 |
| Issued | | |
| 1,01,07,125 (1,01,07,125) Equity shares of Rs.10/- each | 11,78,85,900 | 10,10,71,250 |
| Subscribed and paidup | | |
| 1,01,07,125 (1,01,07,125) Equity shares of Rs.10/- each | 10,10,71,250 | 10,10,71,250 |
| Less: 3813 (3813) shares of Rs.10/- each held by the subsidiary company. | 38,130 | 50,788 |
| Less: 57640 (Nil) shares of Rs.10/- each held by the subsidiary company. | 5,76,400 | - |
| | 10,04,56,720 | 10,10,20,462 |
| (Of the above 7,50,000 equity shares of Rs. 10/- each allotted to promoters of the company otherwise than for cash (includes 14,20,007 Equity shares of Rs. 10/- each allotted as fully paid up by way of bonus shares). | | |
| SCHEDULE 2 | | |
| 2. Reserves & Surplus | | |
| Share premium account | 3,67,80,198 | 3,67,80,198 |
| Other reserves | | |
| General Reserve | 1,11,53,566 | 1,11,33,525 |
| Add: Transfer on consolidation | 73,744 | 8,20,050 |
| | 1,12,27,310 | 1,19,53,575 |
| Less: Reserve for Goodwill | - | 8,00,009 |
| | 1,12,27,310 | 1,11,53,566 |
| Less: Transferred on consolidation | 86,25,985 | - |
| | 26,01,325 | 1,11,53,566 |
| Profit & Loss Account | 4,00,97,963 | 8,35,86,340 |
| | 7,94,79,486 | 13,15,20,104 |
| SCHEDULE 3 | | |
| Secured Loans | | |
| Loans and Advances from Banks | | |
| Term Loan | | |
| For Plant and Machinery | 2,11,27,263 | 3,09,26,834 |
| For Vehicles | 9,38,098 | 15,06,104 |
| Working Capital | | |
| From Banks | 22,74,17,169 | 14,49,90,257 |
| From Others | 5,58,97,053 | 71,18,483 |
| Interest Accrued | 1,45,474 | - |
| | 30,55,25,057 | 18,45,41,678 |
| (The above loans are secured by way of hypothecation of stocks and book debts and first charge on factory land, building and plant & machinery) | | |
| Vehicle Loans are Secured by way of Hypothecation of vehicles | | |
| Term loan from canara bank (secured by way of hypothecation of factory land, building and plant & machinery) | | |

PONDY OXIDES AND CHEMICALS LIMITED

SCHEDULES CONTINUED . . .

SCHEDULE 4

Unsecured Loans

From Banks

From Others

Directors/Relatives

Others

Interest accrued and due

| | As at 31.03.2008 Rs. | As at 31.03.2009 Rs. |
|--|----------------------------|----------------------------|
| | - | 6,10,292 |
| | 3,99,29,308 | 92,89,413 |
| | 1,03,46,224 | 54,68,866 |
| | 11,29,622 | - |
| | 5,14,05,154 | 1,53,68,571 |

SCHEDULE - 5

Fixed assets

| Sl. No. | Description. | Gross block | | | | Depreciation | | | | Net block | |
|---------|------------------------------|---------------------|--------------------|----------------------------|---------------------|--------------------|--------------------|--------------------|--------------------|---------------------|---------------------|
| | | As at 1.04.08 Rs. | Additions Rs. | Deduction/ Adjustments Rs. | As at 31.03.09 Rs. | Upto 31.03.08 Rs. | For the Year Rs. | Deduction Rs. | Upto 31.03.09 Rs. | As at 31.03.08 Rs. | As at 31.03.09 Rs. |
| 1 | Free hold land | 1,97,06,662 | - | 4,41,630 | 1,92,65,032 | 2,38,896 | 97,157 | - | 3,36,053 | 1,57,03,306 | 1,89,28,979 |
| 2 | Building | 7,97,23,710 | 1,29,42,774 | 1,07,95,427 | 8,18,71,057 | 1,91,29,946 | 56,47,092 | 34,74,834 | 2,13,02,204 | 5,79,70,235 | 6,05,68,853 |
| 3 | Plant & machinery | 8,40,28,218 | 1,83,18,505 | 2,03,12,597 | 8,20,34,126 | 3,08,75,624 | 81,47,514 | 86,40,681 | 3,03,82,457 | 4,91,13,245 | 5,16,51,669 |
| 4 | Furniture & Office Equipment | 69,34,893 | 6,62,526 | 8,28,328 | 67,69,090 | 36,98,030 | 7,88,710 | 4,19,187 | 40,67,553 | 28,09,629 | 27,01,537 |
| 5 | Vehicles | 66,42,195 | 2,44,000 | - | 68,86,195 | 25,42,517 | 11,17,136 | - | 36,59,653 | 34,42,336 | 32,26,541 |
| 6 | Lab Equipments | 71,99,539 | - | 11,76,903 | 60,22,636 | 25,37,601 | 6,51,848 | 5,29,613 | 26,59,835 | 34,50,371 | 33,62,800 |
| 7 | Electrical fittings | 1,35,80,049 | 10,21,686 | 32,21,744 | 1,13,79,992 | 41,50,963 | 12,87,332 | 13,96,119 | 40,42,176 | 89,07,470 | 73,37,816 |
| 8 | Goodwill | - | 46,08,273 | - | 46,08,273 | - | - | - | - | - | 46,08,273 |
| | | 21,78,15,266 | 3,77,97,764 | 3,67,76,629 | 21,88,36,401 | 6,31,73,577 | 1,77,36,789 | 1,44,60,434 | 6,64,49,931 | 14,13,96,592 | 15,23,86,468 |
| | Previous Year 2007-08 | 15,86,95,102 | 4,41,32,977 | 15,95,934 | 20,12,32,145 | 4,58,10,785 | 1,51,83,555 | 11,58,788 | 5,98,35,552 | 11,28,84,316 | 14,13,96,593 |

SCHEDULE 6

Investments

Quoted

1000 (1000) Equity shares of Rs. 10/- each

fully paid in Henkel Spic India Ltd

2,63,722

59,625

100 (100) Equity shares of Rs. 10/- each

fully paid in Bata India Ltd

15,896

15,896

300(300) Equity shares of Rs. 10/- each

fully paid in Indian Overseas Bank

24,030

7,200

200(200) Equity shares of Rs. 10/- each

fully paid in UCO Bank

3,600

2,400

200(200) Equity shares of Rs. 10/- each

fully paid in Vijaya Bank

7,200

4,800

60(60) Equity shares of Rs. 10/- each

fully paid in ONGC

87,750

42,750

PONDY OXIDES AND CHEMICALS LIMITED

SCHEDULES CONTINUED . . .

| | As at 31.03.2009 Rs. | As at 31.03.2008 Rs. |
|--|-------------------------------------|-------------------------------------|
| Bhagavandoss Metals 2000 (2000) fully paid equity shares @ 10/- | 30,200 | 30,200 |
| 300(300) Equity shares of Rs. 10/- each fully paid in Orchid Chemicals | 31,104 | 31,104 |
| 250(250) Equity shares of Rs. 10/- each fully paid in Rama Newsprint Ltd. | 10,150 | 10,150 |
| 539 (539) Equity shares of Rs. 10/- each fully paid in Ramco Systems | 1,51,771 | 1,51,771 |
| 539 (Nil) Equity shares of Rs. 10/- each fully paid in Himachal Futuristic | 22,032 | - |
| 400 (Nil) Equity Shares of Rs.10/- each fully paid in Kerala Ayurvedic Chemicals Ltd | 3,676 | - |
| 500 (Nil) Equity Shares of Rs.10/- each fully paid in MOSCHIP Ltd., | 18,310 | - |
| 3000 (Nil) Equity Shares of Rs.10/- each fully paid in Rashtriya Chem Ltd., | 69,000 | - |
| 1000 (Nil) Equity Shares of Rs.10/- each fully paid in Saint Gobain Glass Co. Ltd. | 13,150 | - |
| 2000 (Nil) Equity Shares of Rs.10/- each fully paid in SQL Star Soft Ltd., | 10,680 | - |
| 240 (Nil) Equity Shares of Rs.10/- each fully paid in Carol Info Services Ltd., | 5,496 | - |
| <u>Unquoted</u> | | |
| 459000 (30000) Equity shares of Rs. 10/- each fully paid in Lohia Metals P Ltd. | - | 3,00,000 |
| 3818 (Nil) Equity Shares of Rs.10/- each fully paid in Madras Stock Exchange Ltd. | 19,09,000 | - |
| 32093 (Nil) Equity Shares of Rs.10/- each fully paid in MSE Financial Services Ltd. | 3,85,116 | - |
| Note | 30,61,883 | 6,55,896 |
| Market value of Quoted Investments : Rs.12,17,948 (Rs. 2,01,129) | | |

SCHEDULE 7

Inventories

(As valued and certified by the management)

| | | |
|------------------|---------------------|--------------------|
| Raw materials | 4,72,68,473 | 4,11,10,616 |
| Work in progress | 60,72,363 | 1,63,50,954 |
| Finished goods | 4,47,88,770 | 3,08,16,976 |
| Consumables | 60,42,038 | 46,90,557 |
| | 10,41,71,644 | 9,29,69,103 |

PONDY OXIDES AND CHEMICALS LIMITED**SCHEDULES CONTINUED . . .**

| | As at 31.03.2009 Rs. | As at 31.03.2008 Rs. |
|---|----------------------------|----------------------------|
| SCHEDULE 8 | | |
| Sundry Debtors | | |
| (Unsecured and Considered Good) | | |
| Outstanding for more than Six months | 40,49,239 | 86,24,340 |
| Other debts | 13,72,88,355 | 19,06,75,724 |
| | 14,13,37,594 | 19,93,00,064 |
| SCHEDULE 9 | | |
| Cash & Bank Balance | | |
| Cash on hand | 7,45,204 | 5,98,533 |
| Bank Balances | | |
| In current accounts with scheduled banks | 50,22,092 | 69,95,433 |
| Fixed Deposit | 11,26,82,511 | 2,51,24,926 |
| | 11,84,49,807 | 3,27,18,892 |
| SCHEDULE 10 | | |
| Loans & Advances | | |
| (Unsecured, Considered good unless otherwise specified) | | |
| (Advances recoverable in cash or in kind or for value to be received) | | |
| Staff Loans and advances | 3,96,320 | 7,22,170 |
| Loans and Advance to Others | 1,84,97,538 | 1,93,19,228 |
| | 1,88,93,858 | 2,00,41,398 |
| SCHEDULE 11 | | |
| Other Current Assets | | |
| (Advances recoverable in cash or in kind or for value to be received) | | |
| Advances | 34,45,607 | |
| Deposits | 4,67,15,389 | 1,53,85,122 |
| Taxes | 62,01,764 | 1,67,05,572 |
| Others | 76,39,697 | 3,51,18,315 |
| Interest Accrued but not due | 28,35,695 | 33,330 |
| | 6,68,38,152 | 6,72,42,339 |
| SCHEDULE 12 | | |
| Current Liabilities | | |
| Sundry Creditors | | |
| For trade | 2,61,63,456 | 2,98,17,200 |
| For expenses | 26,04,998 | 20,96,288 |
| For capital Expenditure | 10,29,622 | 44,52,075 |
| Other current liabilities | 1,82,37,986 | 4,57,45,848 |
| Unclaimed Dividend | 5,80,849 | 14,23,589 |
| | 4,86,16,911 | 8,25,35,000 |

| SCHEDULES CONTINUED ... | Year ended 31.03.2009 | Year ended 31.03.2008 |
|--|--------------------------|--------------------------|
| | Rs. | Rs. |
| SCHEDULE 13 | | |
| Provisions | | |
| For Taxation | 1,09,61,540 | 4,22,53,167 |
| For Others | 58,98,000 | 35,06,000 |
| | 1,68,59,540 | 4,57,59,167 |
| SCHEDULES ATTACHED TO AND FORMING PART OF PROFIT AND LOSS ACCOUNT | | |
| | Year ended 31.03.2009 | Year ended 31.03.2008 |
| | Rs. | Rs. |
| SCHEDULE 14 | | |
| Sales & Other Operating Income | | |
| Local sales (includes deemed export of Rs.6.03 lakhs (Rs.128.98 lakhs) & inter- division transfer of Rs. 921.04 lakhs (Rs.69.12 lakhs) | 1,38,12,67,171 | 1,77,46,21,445 |
| Export Sales | 52,85,65,859 | 17,19,93,663 |
| Conversion charges received (includes TDS Rs.NIL (Rs.30,405) | - | 22,51,575 |
| Consignment Proceeds (includes TDS Rs.NIL (Rs.563) | 2,80,516 | 13,01,549 |
| | 1,91,01,13,546 | 1,95,01,68,232 |
| SCHEDULE 15 | | |
| Other Income | | |
| Interest | | |
| From Banks (includes TDS Rs.2,48,328 (Rs.48,715) | 47,06,154 | 28,37,411 |
| From Others (includes TDS Rs.NIL (Rs.1,479) | 19,88,702 | - |
| Dividend received from others | 1,64,028 | 4,790 |
| Profit on sale of Fixed Assets | 1,86,63,523 | 1,97,853 |
| Exchange Fluctuation - Net Profit | 27,76,027 | 10,52,666 |
| Miscellaneous receipts | 26,14,919 | 6,72,513 |
| | 3,09,13,353 | 47,65,233 |
| SCHEDULE 16 | | |
| Increase / (Decrease) in stock | | |
| Stock at the beginning of the year | | |
| Stock in Process | 1,65,58,855 | 85,37,222 |
| Finished Goods | 4,10,34,691 | 2,47,63,901 |
| | 5,75,93,546 | 3,33,01,123 |
| Stock at the end of the year | | |
| Stock in process | 60,72,363 | 1,63,50,954 |
| Finished goods | 4,47,88,770 | 3,08,16,976 |
| | 5,08,61,133 | 4,71,67,930 |
| Increase / (Decrease) in stock | (67,32,413) | 1,38,66,807 |

PONDY OXIDES AND CHEMICALS LIMITED**SCHEDULES CONTINUED . . .**

| | As at 31.03.2009 Rs. | As at 31.03.2008 Rs. |
|---|----------------------------|----------------------------|
| SCHEDULE 17 - | | |
| Manufacturing, Administrative & Selling Expenses | | |
| Raw materials consumed | 1,43,12,14,840 | 1,38,36,75,229 |
| Manufacturing expenses | | |
| Processing & other charges | 56,66,108 | 45,54,968 |
| Other direct expenses | 2,41,87,518 | 1,96,94,171 |
| Power & fuel consumed | 5,01,22,584 | 3,78,43,541 |
| Repair - Machinery | 54,82,551 | 47,50,666 |
| Repairs - Buildings | 16,83,356 | 6,78,737 |
| Repairs - Others | 17,01,512 | 13,59,951 |
| Foreign exchange (Net) | - | (87,75,517) |
| Establishment expenses | | |
| Salaries, wages and bonus | 2,83,82,477 | 2,14,76,917 |
| Contribution to Provident fund, Gratuity fund etc... | 51,32,888 | 33,41,071 |
| Other amenities | 45,33,470 | 27,50,435 |
| Administrative expenses | | |
| Auditors fee | 4,08,990 | 3,09,025 |
| Communication | 18,18,863 | 21,83,069 |
| Loss on sale of machinery | 15,559 | - |
| Entertainment expenses | 3,59,423 | 7,35,198 |
| Exchange fluctuation | 47,26,153 | - |
| Fees & taxes | 9,91,241 | 6,40,318 |
| General expenses | 25,18,133 | 5,03,890 |
| Insurance | 42,33,687 | 32,97,070 |
| Office maintenance | 12,97,827 | 21,49,536 |
| Professional fee | 8,80,185 | 9,66,659 |
| Rent | 7,10,892 | 6,16,216 |
| Subscriptions & periodicals | 4,29,367 | 75,548 |
| Travelling expenses | 49,60,176 | 32,51,701 |
| Vehicle maintenance | 14,36,750 | 11,32,850 |
| Selling expenses | | |
| Business promotion, advertisement expenses & others | 13,94,424 | 10,84,342 |
| Commission | 15,30,985 | 26,55,320 |
| Discounts & rebates | 57,82,204 | 5,89,30,465 |
| Bad debts | 1,18,463 | 17,19,340 |
| Excise & other taxes | 15,87,34,622 | 24,12,72,690 |
| Freight outwards | 1,99,03,055 | 1,34,21,893 |
| Warranty expenses | 20,001 | 1,20,194 |
| | 1,77,03,78,303 | 1,80,64,15,493 |
| SCHEDULE 18 | | |
| Interest and Finance Charges | | |
| Interest Paid to bank | 4,89,98,410 | 3,88,55,139 |
| Interest paid to others | 77,49,492 | 18,32,781 |
| | 5,67,47,902 | 4,06,87,920 |

SCHEDULE -19

ACCOUNTING POLICIES AND NOTES ON ACCOUNTS OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.03.2009

1. A) **List of Subsidiaries**

The consolidated financial statement represents consolidation of accounts of M/s.Pondy Oxides and Chemicals Ltd., with its subsidiaries as detailed below :

Name of the company : M/s.Baschem Pharma Ltd.

Proportion of Ownership Interest : 100%

Name of the Company : M/s Lohia Metals Private Limited

Proportion of Ownership Interest : 51%

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. **Basis of preparation**

The Consolidated Financial Statements of the Company have been prepared under the historical cost convention on accrual basis to comply in all material respects with the mandatory Accounting Standards (AS) notified by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The accounting policies have been consistently applied by the Company are consistent with those used in the previous year.

The financial statements of the subsidiaries used in the consolidation are drawn up to the same reporting date as that of the holding company on March 31, 2009.

B. **Principles of consolidation**

Investments in Consolidated Financial Statements are accounted in accordance with accounting principles as defined in the AS 21 "Consolidated Financial Statements" notified by Companies Accounting Standards Rules 2006. The consolidated financial statements are prepared on the following basis.

- i. Subsidiary companies are consolidated on a line-by-line basis by adding together the book values of the like terms of assets, liabilities, income and expenses after eliminating all significant intra-group balances and intra-group transactions and also unrealized profits or losses, except where cost cannot be recovered.
- ii. As far as possible, the Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's stand alone financial statements.
- iii. The difference between the cost to the group of investments in subsidiaries and the proportionate share in the equity of the investee company as at the date of acquisition of stake is recognized in the consolidated financial statements as goodwill or capital reserve as the case may be.
- iv. Minority interest in the net assets of the consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders, if any at the dates on which investments are made in the subsidiary company/s and further movements in their share in the equity, subsequent to the dates of investments. The losses in subsidiary/s attributable to the minority shareholder are recognized to the extent of their interest in the equity of the subsidiary/s.
- v. As per Accounting Standard Interpretation (AS 15) on Notes to the Consolidated Financial Statements, only the notes involving items which are material need to be disclosed. Materiality for this purpose is assessed in relation to the information contained in the Consolidated Financial Statements. Further, additional statutory information disclosed in separate financial statements of

the subsidiary and/or a parent having no bearing on the true and fair view of the Consolidated Financial Statements need not be disclosed in the Consolidated Financial Statements.

A. Use of estimates :

The preparation of financial statements are in conformity with generally accepted accounting principles in India requires Management to make estimates and the assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. Although these estimates are based upon Management's best knowledge of current events and actions, actual results could differ from these estimates.

B. Revenue recognition :

Revenue from sale of products is recognized on despatch of goods in accordance with the terms of sale and is inclusive of excise duty but excluding VAT. Revenue arising due to price escalation claim is recognized in the period when such claim is made in accordance with terms of sale.

Revenue from services is recognized in accordance with the specific terms of contract on performance.

Dividend Income on investment is accounted for, as and when the right to receive the payment is established. Interest is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

C. Fixed Assets :

- 1) Fixed Assets are shown at the cost of acquisition / construction which includes taxes, duties (net of CENVAT / VAT set offs availed) and other identifiable direct expenses. Borrowing cost directly attributable up to the period of the assets put to use is included in the cost of distinct fixed assets.

a. Expenditure on new project

Expenditure directly related to construction activity is capitalized. Indirect expenditure incurred during construction period is capitalized as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto.

b. Depreciation:

1. Depreciation on Fixed assets is charged on W.D.V. method at the rates and in the manner as specified in the Schedule XIV of the Companies Act, 1956.
2. The cost and the accumulated depreciation for fixed assets sold, retired or otherwise disposed off are removed from the stated values and the resulting gains and losses are recognized in the profit and loss account.

c. Leasehold land

Leasehold lands are amortized over the period of the lease.

d. Capital Work in Progress :

Assets under installation or under construction as at the balance sheet date are shown as capital work in progress. Advances paid towards acquisition / construction of assets is also included under capital work in progress.

D. Impairment of Assets :

1. The carrying amounts of assets are reviewed at each balance sheet date to see if there is any indication of impairment based on internal / external factors. An impairment loss is recognized

wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

2. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

E. Investments :

a. Long-term investments are carried at cost. Current investments are carried at cost or market value whichever is lower. Provision for diminution in the value of long-term investments is made only if such decline is not temporary in the opinion of the management.

b. Cost of investment is at the cost of acquisition to the Company.

F. Inventories :

a. Inventories are valued at lower of cost and net realizable value, cost being ascertained on the following basis:

- i. Stores, spares, consumable tools, raw materials and components : on moving weighted average basis
- ii. Work-in-progress, finished / trading goods : under absorption costing method

b. Cost includes taxes and duties and is net of credits under Cenvat / Vat scheme.

c. By products are valued at estimated net realizable value.

G. Foreign currency transactions :

- i) Transaction in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction and Foreign Exchange fluctuation on transaction settled during the year are recognized in the Profit & Loss account.
- ii) In case of items, which are covered by forward exchange contracts, the difference between the year end rate and rate on the date of contract is recognized as exchange difference and the premium paid on forward contracts is recognized over the life of the contract.
- iii) The year-end foreign currency assets and liabilities are restated at the closing exchange rates.
- iv) The exchange differences on transactions relating to acquisition of fixed assets are adjusted to the carrying amount of fixed assets.

H. Employee retirement benefit :

Company's contribution to provident fund and pension fund is charged to Profit and Loss account on accrual basis.

Liability for gratuity is charged to Profit and Loss account on actuarial basis.

I. Taxes on Income

Current Tax

Current Tax is determined in accordance with the applicable tax laws, on the amount of tax payable in respect of taxable income for the period.

Deferred Tax

The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred

PONDY OXIDES AND CHEMICALS LIMITED

tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realized.

NOTES ON ACCOUNTS:

1. Contingent Liabilities not provided for: (Rs. in Lakhs)

| S.No | Nature of Contingency | Current Year Figure | Last Year Figure |
|------|-----------------------|---------------------|------------------|
| 1. | Bill Discounting | 94.6 | Nil |
| 2. | Letter of Credit | 855.77 | 622.35 |
| 3. | Bank Guarantee | NIL | 1.36 |
| 4. | Capital WIP | 28.81 | 56.50 |

2. All secured loans availed from the banks are personally guaranteed by four Whole Time Directors.
3. Sundry debtors of Rs. 1.19 Lakhs (Rs.17.20 Lakhs) & being non-recoverable has been written off as bad debts.
4. Unutilized DEEC license on account of deemed exports outstanding at the year-end is Rs. 54.89 Lakhs (Rs.52.95 Lakhs).

5. **Auditors Remuneration**

| | |
|-----------------|----------------------------------|
| Statutory Audit | : Rs. 2.95 Lakhs (Rs.2.20 Lakhs) |
| Tax Audit | : Rs. 0.80 Lakhs (Rs.0.55 Lakhs) |
| Others | : Rs. 0.34Lakhs (Rs.0.34 Lakhs) |

6. **Earnings Per Share**

| | <u>2009</u> | <u>2008</u> |
|---|-------------|-------------|
| Net Profit attributable to Share Holders (Rs. in lakhs) | -710.86 | 491.94 |
| No of Shares | 1,00,45,672 | 1,01,02,046 |
| Weighted average No of Equity Shares | 1,00,45,672 | 1,01,02,046 |
| Basic Earnings Per Share (Rs.) | -7.08 | 4.87 |
| Adjusted basic EPS (Rs.) | -7.08 | 4.87 |

The Company does not have any outstanding diluted potential equity shares.

7. Remuneration to Managing Director and Whole Time Directors :

| | |
|-------------|------------------------------------|
| Salary | : Rs. 48.68 Lakhs (Rs.30.28 Lakhs) |
| Perquisites | : Rs. 15.36 Lakhs (Rs.13.97 Lakhs) |

8. Related Party Transactions

In accordance with Accounting Standard 18, the disclosure required is given below

Name of the related Parties and Relationship

1. Other Related Enterprises

- M/s.Ardee Industries Pvt Ltd.
- M/s.Bansal Metallic Oxides
- M/s.Bansal Chemicals (India)

2. Key Management Personnel

| <u>S.No</u> | <u>Name</u> | <u>Designation</u> |
|-------------|-------------------------|--------------------------------------|
| 1 | Sri. Padam C.Bansal | Chairman |
| 2 | Sri. Anil Kumar Bansal | Managing Director |
| 3 | Sri. Sunil Kumar Bansal | Whole Time Director |
| 4 | Sri. R.P.Bansal | Whole Time Director |
| 5 | Sri. Devakar Bansal | Whole Time Director |
| 6 | Sri. Y.V.Raman | Whole Time Director |
| 7 | Sri. Ashish Bansal | Director-Subsidiary Company |
| 8 | Sri N. Ravichandran | Managing Director-Subsidiary Company |

3. Relatives of Key Management Personnel

| <u>S.No</u> | <u>Name</u> | <u>Relationship</u> |
|-------------|---------------------------|---|
| 1 | Sri. Pawan Bansal | S/o. Sri.R.P.Bansal |
| 2 | Smt. Charu Bansal | W/o. Sri.Ashish Bansal |
| 3 | Smt. Manju Bansal | W/o. Sri.Anil Kumar Bansal |
| 4 | Smt. Neelam Bansal | W/o. Sri.Sunil Kumar Bansal |
| 5 | Smt. Saroj Bansal | W/o. Sri.R.P.Bansal |
| 6 | Smt. Vandana Bansal | W/o. Sri.Devakar Bansal |
| 7 | Smt. Shashi Gupta | Sister of Sri.Anil Kumar.Bansal |
| 8 | Sri. Narendra Kumar Gupta | Sister's husband of Sri Anil Kumar.Bansal |

PONDY OXIDES AND CHEMICALS LIMITED
II. Details relating to parties referred to in items (1) (2) & (3) above.
(Rs. in Lakhs)

| Nature of Transaction | Other related enterprises | Key Management Personnel | Relatives of Key Management Personnel |
|--|--------------------------------|--------------------------------|---------------------------------------|
| PURCHASES | | | |
| Goods & Materials | 99.37 (1,015.34) | Nil (Nil) | Nil (Nil) |
| SALES | | | |
| Goods & Materials | 216.87 (893.00) | Nil (Nil) | Nil (Nil) |
| EXPENSES | | | |
| Job Work Charges | 44.88 (23.66) | Nil (Nil) | Nil (Nil) |
| Remuneration | Nil (Nil) | 64.04 (44.25) | Nil (1.87) |
| Interest Paid | 1.26 (5.43) | 1.46 (3.08) | 10.87 (4.82) |
| Interest received | 1.50 (5.74) | Nil (0.05) | Nil (Nil) |
| Consignment proceeds | Nil (0.68) | Nil (Nil) | Nil (Nil) |
| Professional Charges | Nil (3.00) | Nil (Nil) | Nil (Nil) |
| Total | 47.65 (38.51) | 78.65 (47.38) | 10.87 (6.69) |
| FINANCE AND INVESTMENTS DURING THE YEAR | | | |
| Inter corporate Deposit paid | Nil (584.07) | Nil (Nil) | Nil (Nil) |
| Inter corporate Deposit Received | 96.32 (522.10) | Nil (Nil) | Nil (Nil) |
| Loan Taken | Nil (Nil) | 232.05 (162.80) | 86.20 (7.50) |
| Payable | 0.34 (9.96) | Nil (23.43) | Nil (42.00) |
| Receivable | 16.98 (244.92) | Nil (Nil) | Nil (Nil) |

9. Segment Reporting

Segmental information for the year 2008 – 09 Information about primary business segments :

| Sl.No. | Particulars | Amount Rs. in Lakhs |
|--------|------------------------------------|---------------------|
| 1 | Segment Revenue | |
| | External Turnover | |
| | a. Metal & Metallic Oxides | 18,762.35 |
| | b. Plastic Additives | 3,936.28 |
| | c. Others | 113.33 |
| | Total | 22,811.96 |
| | Less: Inter segment Turnover | 3,710.82 |
| | Net sales / Income from operations | 19,101.14 |

| | | |
|---|---|----------|
| | Segment Results | |
| 2 | Profit / (loss) (before tax and interest from each segment) | |
| | a. Metal & Metallic Oxides | - 681.89 |
| | b. Plastic Additives | 258.28 |
| | c. Others | - 33.22 |
| | Total | - 456.83 |
| | Less: | |
| | 1. Interest | 567.48 |
| | 2. Other unallocable expenditure net of un-allocable income | 176.45 |
| | Total Profit before Tax before Exceptional Income | - 847.86 |
| | Exceptional Income/ Expense | 186.64 |
| | Profit before tax | - 661.22 |
| 3 | Capital employed (Segment Assets Less Segment Liabilities) | |
| | a. Metal & Metallic Oxides | 421.02 |
| | b. Plastic Additives | 519.87 |
| | c. Others | 39.32 |
| | d. Unallocated | 863.29 |

10. Deferred Taxation (Rs. in Lakhs)

| | As at 31.03.2008 Rs. | As at 31.03.2009 Rs. |
|--|----------------------------|----------------------------|
| Deferred Tax Liability on Account of | | |
| 1 Depreciation | 56.52 (42.21) | 63.65 (52.92) |
| Deferred Tax Asset on Account of | | |
| 1 Gratuity | -11.61 (-7.22) | -19.51 (11.61) |
| 2 Expenses allowable for tax Purpose when paid | 0.01 (0) | 0.01 (0.01) |
| Total | (11.60) (7.22) | 44.15 (11.60) |
| Net Deferred Tax Liability / (Asset) | 44.92 (34.99) | 44.15 (41.32) |

11. The company has not received the information from vendors regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosure relating to amounts unpaid as at the year end have not been given.

12. Balance in Sundry Debtors/Creditors and advances amount are subject to confirmation.

13. General:

- i. Previous year's figures have been regrouped wherever necessary
- ii. Figures have been rounded off to the nearest rupee.
- iii. Schedules 1 to 18 and accounting policies and notes (Schedule-19) annexed to this Balance Sheet and Profit and Loss Account form part of the accounts and should be read in conjunction therewith.

PROXY FORM

PONDY OXIDES AND CHEMICALS LIMITED

Regd. Office: F-14, "Mahaveer Chambers", 103, Nyniappa Naicken Street, Chennai - 600 003.

| No. of shares | Folio / ID No. |
|---------------|----------------|
| | |

I / We of
being a member / members of Pondy Oxides and Chemicals Limited, hereby appoint
..... of or failing him
..... of as my / our
proxy to attend and vote for me / us on my / our behalf at the Fourteenth Annual General Meeting of the
Company to be held on 17th September, 2009 and at any adjournment thereof.

Affix
Revenue
Stamp
Rs.0.15

Signature

Note : A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member. This form duly completed should be deposited at the Registered / Corporate office of the Company at Chennai not later than 48 hours before the commencement of the meeting.

ATTENDANCE SLIP

(To be handed over at the entrance of the meeting hall)

PONDY OXIDES AND CHEMICALS LIMITED

Regd. Office : F-14, "Mahaveer Chambers", 103, Nyniappa Naicken Street, Chennai - 600 003.

Name and Address

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|--|

| No. of shares | Folio / ID No. |
|---------------|----------------|
| | |

14th ANNUAL GENERAL MEETING AT 11.00 A.M.
ON 17th SEPTEMBER, 2009
AT KASTURI SRINIVASAN HALL,
MUSIC ACADEMY, 306, TTK ROAD, CHENNAI-14.

I certify that I am a registered shareholder of the Company

I hereby record my presence at the above Annual General Meeting of the Company.

A member / proxy wishing to attend the meeting must complete this attendance slip and hand it over at the entrance of the meeting hall.

NO GIFTS WILL BE DISTRIBUTED

| |
|---|
| Name of Proxy (if any) in BLOCK LETTERS |
| |

| |
|-----------------------------|
| Signature of Member / Proxy |
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