

REFNOL

28th Annual Report
2008-2009

REFNOL RESINS AND CHEMICALS LIMITED

**ANNUAL REPORT
2008-2009**

Board Of Directors : Mr. Mahendra K. Khatau Chairman
Mrs. Asha M. Khatau Director
Ms. Devaki Jariwala Director
Mr. Bhalchandra Sontakke Director
Mr. S. Rajgopalan Director
Mr. Arup Basu Managing Director

Bankers : Indusind Bank Ltd.

Auditors : G. P. Kapadia & Co.
Chartered Accountants

Registered Office : Plot No. 410/411, Khatau House,
Mogul Lane, Mahim,
Mumbai - 400 016.

**Factory &
Administrative Office** : Plot No. 23, Phase - III,
G.I.D.C. Naroda,
Ahmedabad - 382 330.

**Registrar &
Transfer Agent** : Pinnacle Share Registry Pvt. Ltd.
Nr. Ashoka Mills, Naroda Road,
Ahmedabad - 380 025.

NOTICE

NOTICE IS HEREBY GIVEN THAT the Twenty Eighth Annual General Meeting of the Members of REFNOL RESINS AND CHEMICALS LIMITED will be held on Thursday, **24th September, 2009** at 12:00 p.m. at its registered office at Plot No. 410/411, Khatau House, Mogul Lane, Mahim (West), Mumbai-400 016 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2009, Profit & Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of **Shri. S. Rajgopalan** who retires by rotation and being eligible offer himself for re-appointment.
3. To appoint a Director in place of **Ms. Devaki Jariwala** who retires by rotation and being eligible offer herself for re-appointment.
4. To appoint M/s. G P Kapadia & Co., Auditors' to hold office from the conclusion of this meeting until the conclusion of the next annual general meeting and to fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT in accordance with the provisions of Section 198, 269, 309 and 310, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force), and subject to the approval of the Central Government and other statutory approval if any, the members of the Company hereby approves of the re-appointment of Shri Arup Basu, as Managing Director of the Company for a period of 5 years commencing from 15th June 2009, on the remuneration and other terms and conditions and with such powers and duties as set out in the agreement as placed before the members and duly initialed by the Chairman for the purpose of identification with liberty to the Board of Directors to alter and vary the terms and conditions of the said re-appointment, as may be agreed to between the Board Members of the Company and Shri Arup Basu;

RESOLVED FURTHER that the remuneration and perquisites set out in the aforesaid draft agreement be paid to Shri Arup Basu as minimum remuneration during the tenure of his re-appointment notwithstanding that in any financial year of the company during the aforesaid period, the Company has made no profits or the profits made are inadequate.

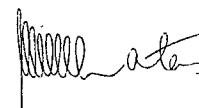
RESOLVED FURTHER that the remuneration and perquisites including the monetary value thereof as specified in the agreement may be varied, increased, expanded, enhanced, enlarged, widened or altered in accordance with the provisions relating to the payment of Managerial remuneration under the Companies Act, 1956 or any amendments thereof or re-enactments thereof and that the aforesaid agreement between the Company and Shri Arup Basu be suitably amended to give effect to the same in such manner as may be agreed to between the Board and Shri Arup Basu.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized, without any reference / approval of the General Meeting, to accept and alter and vary the terms and conditions of the said re-appointment or any amendments or modifications that may hereafter be made thereto by the Central Government."

6. **To Consider and if thought fit, to pass with or without modification(s), the following resolutions as Ordinary Resolution:-**

"RESOLVED THAT the consent of the company under the provisions of Section 293 (1)(d) of the Companies Act, 1956, and other applicable provisions, if any, be and is hereby accorded to the Board of Directors of the company to borrow from time to time all such sum(s) of money as the Directors may deem requisite for the purpose of the business of the company notwithstanding that the money(s) to be borrowed together with the money(s) already borrowed by the company (apart from temporary loan obtained from the company's banker in the ordinary course of business) will exceed the aggregate of the paid-up capital of the company and its free reserve provided that the total amount to be borrowed by the Board of Directors shall not exceed the sum of Rs. 15.00 Crore."

For and on behalf of the Board



Mahendra. K. Khatau
Chairman

Registered Office:

Plot No. 410/411,
Khatau House, Mogul Lane,
Mahim, Mumbai-400 016.
Date : June 30, 2009
Place : Mumbai

NOTES:

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- (b) Members/proxies are requested to bring the attendance slip sent herewith, duly filled for attending the meeting.
- (c) As a measure of economy, copies of Annual return will not be distributed at the Annual General Meeting. Members are therefore, requested to bring their copy of the Annual Report for reference at the Meeting. Members/Proxies for members holding shares in dematerialized form may also bring their latest statement of account held with the concerned depository participant for attending meeting.
- (d) Members desirous of obtaining any information concerning the Accounts and operations of the Company are requested to address their questions to the Company's Administrative Office at Ahmedabad at least seven days prior to the date of the meeting, so that the information required may be made at the meeting to the best possible extent.
- (e) The Register of Members and the Share Transfer Books of Company will remain closed on 19/09/2009 to 24/09/2009 for the purpose of crystallisation of stale share transfer deeds.
- (f) Members are requested to intimate the change, if any in their addresses.
- (g) Explanatory Statement pursuant to Section 173(2) of the Act is enclosed.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**Item No. 5:**

The Board Members re-appointed Shri Arup Basu as Managing Director of the Company on 12th June 2009 for a period of five years w.e.f. from 15th June 2009 on the terms and conditions and remuneration as recommended by Remuneration Committee. The Remuneration Committee has considered the matter and recommended the terms of the Remuneration to the Board, subject to the approval of members and Central Government under various Sections of the Act read with Schedule- XIII of the Companies Act, 1956. He is a B. Tech, Chemical Engineering from IIT, Bombay and has obtained a postgraduate management degree from IIM, Ahmedabad. He is with company since last 29 years more particularly as Managing Director of the Company since last ten years. He has vast experience in management, administration and effective policy formulations for efficient and smooth running of the company. In view of the manifold increase in Shri Arup Basu's role and his responsibility, the Board approved the re-appointment of Shri Arup Basu as Managing Director of the Company for a period of five years w.e.f. 15th June 2009 as his period of office expired on 14th June 2009. The details of the remuneration payable to Shri Arup Basu, as Managing Director as contained in the agreement signed between the Company and Shri Arup Basu are set out below:

- a) Salary: Salary of Rs. 1,16,500/- (Rupees One Lac Sixteen Thousand Five Hundred Only) per month with suitable increment on 1st April each year at the discretion of the Board of Directors in the Grade of Rs. 1,16,500/- to Rs. 2,50,000/-. So long as he functions as such, he shall not be paid any sitting fees for attending meeting of the Board of Directors or committees thereof,
- b) Perquisites as mentioned below:
 - i) House Rent Allowance: 50% of the salary per month.
 - ii) Medical reimbursement: Reimbursement of medical expenses incurred for self and family subject to a ceiling of one month's salary in a year. However, this medical entitlement can be accumulated for a period of five years.
 - iii) Leave Travel Concession: Leave Travel Concession for self and family once in a year in India/ or abroad incurred by him in accordance with the rules of the company.
 - iv) Club Fees: Fees of Club subject to a maximum of two clubs. (No admission and life membership fees will be paid)
 - v) Personal Accident Insurance & Medical Insurance: Personal Accident and Medical Insurance of an amount, the annual premium of which shall not exceed Rs. 25,000/-p.a.
 - vi) Earned/Privilege Leave: Leave on full pay and allowances as per the rules of the Company.
 - vii) Company's Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per the Rules of the Company, to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
 - viii) Gratuity payable should not exceed half month's salary for each completed year of service.
 - ix) Provision of car with driver and provision of telephones and other necessary communication facilities at his residence at Company's cost.
 - x) The Company shall reimburse actual entertainment and traveling expenses incurred by the Managing Director in connection with the Company's Business.
 - xi) Commission not exceeding 1% of the net profit of the Company.

Note : For the purpose of perquisites stated herein above, family means the spouse, the dependent children and the dependent parents of the appointee.

The other terms contained in the agreement are the various powers delegated to Shri Arup Basu as Managing Director of the Company by virtue of his re-appointment.

This statement containing following information is given as per Clause-B of section II of part II of Schedule XIII of the Companies Act, 1956.

I. GENERAL INFORMATION:																
(1)	Nature of Industry	Manufacturing of Textile Chemicals, Resins & Garment Washing Chemicals.														
(2)	Date or expected date of commencement of commercial production.	Existing Company and hence not applicable.														
(3)	In case of new Companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.	Existing Company and hence not applicable.														
(4)	Financial Performance based on given indicators. (As at 31st March 2009)	<table border="1"> <thead> <tr> <th>Particulars</th> <th>Rs. in Lacs</th> </tr> </thead> <tbody> <tr> <td>Turnover</td> <td>2389.79</td> </tr> <tr> <td>Operating Profit</td> <td>236.53</td> </tr> <tr> <td>Net Profit Before Tax</td> <td>139.85</td> </tr> <tr> <td>Debt Equity Ratio</td> <td>0.48:1</td> </tr> <tr> <td>Current Ratio</td> <td>0.96</td> </tr> <tr> <td>Net Worth</td> <td>176.88</td> </tr> </tbody> </table>	Particulars	Rs. in Lacs	Turnover	2389.79	Operating Profit	236.53	Net Profit Before Tax	139.85	Debt Equity Ratio	0.48:1	Current Ratio	0.96	Net Worth	176.88
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(5)	Export Performance	The Company has achieved export Turnover FOB value of Rs. 655.60 Lacs for the financial year ended on 31.03.09.														
(6)	Foreign Investments or collaborators, if any.	None														
II. INFORMATION ABOUT THE APPOINTEE:																
(1)	Background Details	Shri Arup Basu is a B. Tech, Chemical Engineering from IIT, Bombay and has obtained a postgraduate management degree from IIM, Ahmedabad. He is with company since last 29 years more particularly as Managing Director of the Company since last ten years.														
(2)	Past Remuneration	Remuneration paid for the Financial year 2008-09 was Rs. 12.72 Lacs per annum Plus Rs. 10.29 Lacs Perquisites per annum. Total Rs. 23.01 Lacs Per Annum.														
(3)	Recognition or Awards	Shri Arup Basu is Management Graduate from IIM, Ahmedabad and Technically sound, as he possesses graduation from IIT, Mumbai. Both these institutes are famous and recognized worldwide.														
(4)	Job Profile and his suitability	Shri Arup Basu has vast experience in management, administration and effective policy formulations for efficient and smooth running of the company. He has wide knowledge of the industry and markets that the company operates in and has been instrumental in the turn around of the company over the last few years.														
(5)	Remuneration Proposed	As mentioned in the abstract of remuneration given in the preceding paras.														
(6)	Comparative remuneration profile with respect to industry, size of the company, profile to position and person.	The proposed remuneration is commensurate with level skills, experience of the appointee. Shri Basu has been re-appointed as Managing Director having superintendence and control of the Board of Directors of the Company to carry out such duties on day to day basis as entrusted to him. The remuneration proposed is in line with and prevailing in similar industry and having regard to the size of the Company.														
(7)	Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any.	There is no such pecuniary relation either directly or indirectly with the company, its promoters or any managerial personnel of the company.														
III. OTHER INFORMATION:																
(1)	Reasons of loss or inadequate profits.	Though, the company has made a profit during the recently completed financial year but the same is inadequate due to higher financial charges, reduction in margins due to stiff competition and carry forward losses resulting into effective capital remains on lower side.														

(2)	Steps taken or proposed to be taken for improvement	Efforts taken for cost cutting to improve margins. Search for improved quality and value added products. Though during this financial year Company has earned good profit margins, and if the same trends continue then company will be in a position to wipe off its entire accumulated losses shortly.
(3)	Expected increase in productivity and profits in measurable terms.	Strict steps will be taken to control fixed costs and inventory costs, which will enable Company to improve its turnover and profits in years to come with normative numbers calculated with reference to good returns from the Chemical Industry.

IV. DISCLOSURES:

- (1) The remuneration package of Shri Arup Basu has been enumerated above. A copy of the agreement entered with the Managing Director is available for inspection by the members of the Company at the Registered office of the Company between 11.00 a.m. to 1.00 p.m. on any working day except Saturdays and Sundays.
- (2) The required disclosure to the shareholders of the Company about remuneration package of the managerial person and all elements of remuneration package such as salary, benefits, bonuses, stock options, pensions etc., of all the directors; details of fixed component and performance linked incentives along with the performance criteria; Service contract, notice period, severance fees; Stock option details, if any and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable *has been made* in the Annual Report of the Company for the Financial Year 2008-09, *wherever applicable*.

The re-appointment of Shri Arup Basu as Managing Director of the company requires special majority of the members under Section 198, 269, 309, 310 read with provisions of sub-clause (B) of section II of part II of Schedule XIII of the Companies Act, 1956, for payment of remuneration. The Company has not made any default in repayment of any of its debts (including public deposits) or debentures or interest payable thereon in terms of the proviso of sub clause (ii) of clause (B) of Section II of Part II of Schedule XIII of the Companies Act, 1956.

Consequently the said resolution for re-appointment of Shri Arup Basu as Managing Director for a period of five years on the remuneration as set out in the Agreement, requires approval of Members in General Meeting with special majority. Hence, your directors recommend the resolution for your approval.

As the resolution for re-appointment has been proposed for five years with remuneration exceeding the limits prescribed under section II of part II of Schedule XIII of the Act, calculated with reference to effective capital on lower side and hence the said re-appointment also requires approval of Central Government.

None of the Directors, except Shri Arup Basu, is in any way concerned or interested in the aforesaid resolution and recommend your acceptance thereof in the interest of the Company.

The notice and explanatory statement may be treated as an abstract of terms and memorandum of interest under section 302 of the Companies Act, 1956, regarding re-appointment of Shri Arup Basu as Managing Director of the Company to be circulated to the shareholders of the company and the requirement of the said act may be deemed to have been sufficiently complied with.

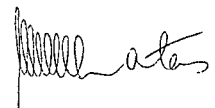
Item No. 6:

As per the provisions of Section 293(1)(d) of the Companies Act, 1956, the Board of Director of the company can borrow money from directors, members, public financial institutions, banks and others in excess of the aggregate of its paid up capital and free reserve (apart from temporary loans obtained from the bankers in the ordinary course of business), only with prior approval of members of the company. The business activities of the company are increasing day by day with the steadfastness policy of the company in the quality norms and competitive prices offered in the market and industry. The Board of Directors feels that in order to facilitate increase sales growth with better margins, your Company would be required further infusion of funds from financial institution and/or bank or others to meet liquidity and other financial requirements on short term basis to keep, maintain and have consistent growth of the business of the company and it is not feasible to go to the shareholders as and when need for the funds arise, so the Board has made estimation of requirement of fund i.e. required to be borrowed in near future in accordance with increasing business of the company and it is therefore proposed to enhance the borrowing limits upto 15.00 Crores. Hence this resolution is put before the members for according their consent under Section 293(1)(d) of the Companies Act, 1956.

Therefore Your Company recommends the resolution for your approval.

None of the directors of the company are in any way concerned or interested in the resolution except as a member.

For and on behalf of the Board



Mahendra. K. Khatau
Chairman

Registered Office:

Plot No. 410/411,
Khatau House, Mogul Lane,
Mahim, Mumbai-400 016.
Date : June 30, 2009
Place : Mumbai

DIRECTORS' REPORT

The Members,
Refinol Resins And Chemicals Limited
Mumbai.

The Directors present their Twenty-Eighth Annual Report together with the Audited Statement of Accounts of Company for the year ended 31st March 2009.

1) FINANCIAL RESULTS:

The financial results of the Company for the year under review are as under: -

Particulars	(Rs. in lacs)	
	2008-09	2007-08
Profit before Interest and Depreciation	236.54	274.62
Interest & Financial Charges	78.30	66.95
Depreciation	18.39	18.12
Profit before tax	139.85	189.55
Exceptional Item (Increase)	—	120.40
Provision for Fringe Benefit Tax	4.50	4.45
Profit after tax	135.35	305.50
Profit available for Appropriation	135.35	305.50
Balance brought forward from previous year	(490.32)	(795.82)
Balance carried to Balance Sheet	(354.97)	(490.32)

2) OPERATIONS:

Continuous efforts made over the last few years to improve profitability and consolidate operations despite sluggish market condition & world wide recession have resulted in growth in sales of around 2% from Rs. 2348.19 lacs to Rs. 2389.79 lacs and a Net Profit of Rs. 135.35 Lacs.

3) MARKETING AND EXPORTS:

The textile and garment industry both in India and world wide are in the grip of a sharp down turn in demand. To counter this, strenuous efforts have been made by the company to widen its customer base and strengthen its presence in new markets at home and abroad.

Due to these efforts and despite the recession, sales have not declined and have infact increased by 2%. Export sales have shown a sharp increase of 245%, having increased from Rs. 216.91 lacs to Rs. 746.06 lacs.

The company will continue its efforts to grow the sales in both export and domestic market this year.

4) DIVIDEND:

In view of the accumulated losses, your directors have not recommended any dividend for the year under review.

5) REVIVAL SCHEME:

The revival scheme sanctioned by Board for Industrial and Financial Reconstruction (BIFR) is under implementation.

6) DEPOSITS:

Your Company has not accepted any public deposit within the meaning of the provisions of Section 58A of the Companies Act, 1956.

7) DIRECTORS:

The Board of Directors of your company has various executive and non-executive directors including independent directors who have wide and varied experience in different disciplines of corporate functioning.

- 1) Mr. S. Rajgopalan and Ms. Devaki Jariwala, Directors of the company, retires by rotation at the forthcoming Annual General Meeting and being eligible, offers themselves for re-appointment; and
- 2) Mr. Arup basu, Managing Director of the Company whose period of office expires on 14th June 2009 and hence the Board of Directors of the Company approves re-appointment of Mr. Arup Basu as the Managing Director of the Company w.e.f. 15th June 2009 for a period of five years and subject to the approval of the shareholders of the company and of the Central Government, on the remuneration and other terms and conditions as contained in the agreement.

8) INSURANCE:

All the insurable assets of the company including Plant & machinery, Buildings and Inventories are adequately insured.

9) SUBSIDIARY COMPANY:

Pursuant to the requirements of Section 212 of the Companies Act, 1956 the Annual Accounts of the Company's subsidiary viz., Refinol Overseas Limited for the period ended 31st March 2009 is annexed together with the statement showing the extent of the Company's interest therein.

10) MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT:

Your company manufactures textile sizing chemicals and auxiliaries, garment wash and laundry chemicals and polyester resins at Plot No. 23, G.I.D.C., Naroda, Ahmedabad, Gujarat. The company caters to both the domestic and international markets. The product range finds application in textile industry, garment processing industry and composites industry. The company has a marketing and distribution network for these chemicals with full technical service break-up. Rapid growth is expected in both the textile chemical and garment chemicals business and steps are being taken to strengthen and deeper the distribution and sales network of the Company.

11) CORPORATE GOVERNANCE:

Your company has taken adequate measures to ensure that the provision of corporate Governance as prescribed under clause 49 of the listing agreement with stock exchanges are complied with. A detailed report as per Appendix-I on corporate governance, along with auditors' certificate on its Compliance by the Company, forms part of this report.

12) DIRECTORS' RESPONSIBILITY STATEMENT:

It is hereby confirmed:

1. That in the preparation of the Accounts for the financial year ended 31st March 2009, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit or loss of the Company for the year under review.
3. That 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.
4. That the Directors have prepared the annual accounts on a going concern basis.

13) EMPLOYEES:

Relations between the employees and the management continued to be cordial during the period under review. The Directors hereby place on record their appreciation for the efficient services rendered by the company's employees at all levels.

The Company has not paid any remuneration attracting the provisions of Companies (Particulars of Employees) Rules, 1975 read with Section 217 (2A) of the Companies Act, 1956. Hence, no information is required to be appended to this report in this regard.

14) CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

Statement giving Particulars with respect to conservation of energy, technology absorption, foreign exchange earnings and out-go, in terms of Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars) Rules, 1988 is given in **Appendix 'II'** forming part of this Report.

15) LISTING:

Your company's shares are listed with The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai (Stock Code:- 530815). The Company has already paid Annual Listing fees of The Stock Exchange, Mumbai for the ensuing financial year.

16) AUDITORS AND AUDITORS' REPORT:

The present Auditors of the Company M/s. G. P. Kapadia & Co., Chartered Accountants, retires at the ensuing Annual General Meeting and being eligible, offers themselves for reappointment.

The Auditors Report and the notes to the Accounts being self-explanatory, no further explanation is required.

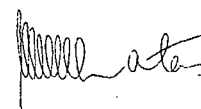
17) COMPLIANCE REPORT:

In accordance with Section 383A of the Companies Act, 1956, the Company has obtained a Certificate from M/s. Sandip Sheth & Associates, a Company Secretary in the whole time practice confirming that the Company has complied with the provisions of the Companies Act, 1956 as mentioned in the Certificate, and a copy of such certificate is annexed to this report.

18) ACKNOWLEDGEMENT:

Your Directors record their appreciation of the Co-operation and assistance extended by Financial Institutions, Banks and Government Authorities as well as valued customers from time to time. They also record their appreciation of the devoted services rendered by the Executives, Staff Members and Workers of the Company.

For and on behalf of the Board,



Mahendra K. Khatau
Chairman

Date : June 30th, 2009
Place : Mumbai

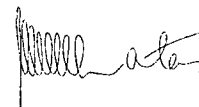
**DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS
AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT**

This is to confirm that Company has adopted a Code of Conduct for its employees including the Managing Director. In addition, the Company has adopted a Code of Conduct for its Non-Executive Directors. Both these Codes are available on the Company's web site.

I confirm that the Company has in respect of the financial year ended on 31st March 2009, received from the senior management team of the Company and the Members of the Board a declaration of compliance with the Code of Conduct as applicable to them.

For the purpose of this declaration, Senior Management Team means the Managing Director, Senior General Manager and General Managers and employees in the Executive cadre as on March 31, 2009.

For and on behalf of the Board,



Mahendra K. Khatau
Chairman

Date : June 30th, 2009

Place : Mumbai

CIN No.:- L24200MH1980PLC023507

Nominal Capital:-Rs. 4.00.00,000/-

COMPLIANCE CERTIFICATE

To,
The Members,
M/S. REFNOL RESINS AND CHEMICALS LIMITED
410-411, Khatau House,
Mogul Lane, Mahim (W), Mumbai-400016

I have examined the registers, records, books and papers of **M/s. Refnol Resins and Chemicals Limited** as required to be maintained under the **Companies Act 1956**, (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on **31st March 2009**. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and representatives,

I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in **Annexure 'A'** to this certificate, as per the provisions of the Act and the rules made there under and all entries therein have been duly recorded.
2. The Company has duly filed online e-forms and returns as stated in **Annexure 'B'** to this certificate, with the Ministry of Corporate Affairs Portal (Registrar of Companies, Maharashtra) with the proper filling fees as per schedule- x read with section 611 of the Act during the year under review. No form or return was required to be filed with Regional Director, Central Government, Company Law Board, or other authorities during the financial year under review.
3. The Company being a public limited Company having paid-up capital of Rs. 3,08,99,000/- during the year under review.
4. The Board of Directors duly met seven times respectively on 2nd April 2008, 24th April 2008, 30th June 2008, 31st July 2008, 31st October 2008, 4th November 2008 & 31st January 2009 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Books maintained for the purpose.
5. The Company has closed its register of members from 4th September 2008 to 8th September 2008 and necessary compliance of Section 154 of the Act has been made during the financial year.
6. The annual general meeting for the financial year ended on 31st March 2008 was held on 8th September 2008 after giving due notice to the members of the Company and the resolutions passed there at were duly recorded in Minutes Book maintained for the purpose.
7. No extra-ordinary general meeting was held during the financial year.
8. The Company has not advanced any loans to its directors or persons or firms or companies referred to under Section 295 of the Act during the financial year under review.
9. The Company has complied with the provisions of Section 297 of the Act in respect of contract specified in that section during the year under review.
10. The Company has made necessary entries in the register maintained under Section 301 of the Act during the year under review.
11. There was no instance falling within the purview of Section 314 of the Act during the year under review and hence the Company was not required to obtain any approvals from the Board of directors, members or Central Government during the period under review.
12. The Company has not issued any duplicate certificates during the financial year.
13. The Company has:
 - (a) delivered all the certificates on lodgment thereof for transfer and/or transmission or any other purpose in accordance with the provisions of the Act. However the Company has not made any allotment during the year under review.
 - (b) not declared any dividend during the financial year.
 - (c) was not required to post warrants to any members of the Company as no dividend was declared during the financial year.
 - (d) no amount lying in the Books of Account in respect of unpaid dividend, application money due for refund, matured deposits, matured debentures and the interest accrued thereon.
 - (e) complied with the requirements of Section 217 of the Act.

14. The Board of Directors of the Company is duly constituted. There was no appointment of additional directors, alternate directors and directors to fill casual vacancy during the year under review.
15. The Company has not appointed any managing director/whole time director/manager during the financial year under review.
16. The Company has not appointed any sole selling agents during the financial year.
17. As Confirmed by the management, the Company has not obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies and/or such authorities prescribed under the various provisions of the Act during the year under review.
18. The directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
19. The Company has not issued any shares, debentures or other securities during the financial year.
20. The Company has not bought back any shares during the financial year ended on 31st March 2009.
21. There being no preference shares or debentures hence question of redemption does not arise.
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of Section 58A during the financial year.
24. Borrowings made by the Company from banks, financial institutions or deposits from public are within the limits prescribed under Section 293(1)(d) of Act during the financial year ended on 31st March 2009.
25. The Company has not made any investment in Bodies Corporate during the year under review. However the investments already made are in accordance with the limits prescribed under Section 372A of the Act and the Company has made necessary entries in the register kept for the purpose.
26. The Company has not altered the provisions of the memorandum with respect to situation of the Company's registered office from one state to another during the financial year under scrutiny.
27. The Company has not altered the provisions of the memorandum with respect to the objects of the Company during the financial year under scrutiny.
28. The Company has not altered the provisions of the memorandum with respect to name of the Company during the financial year under scrutiny.
29. The Company has not altered the provisions of the memorandum with respect to share capital of the Company during the financial year under scrutiny.
30. The Company has not altered its articles of association during the financial year.
31. As confirmed by the management, there were no prosecutions initiated against or show cause notices received by the Company, during the financial year, for offences under the Act.
32. As confirmed by the management, the Company has not received any money as security from its employees during the financial year.
33. As confirmed by the management, the Company has not been regular in depositing both employee's and employer's contribution to Provident Fund with prescribed authorities pursuant to section 418 of the Act.

For, **Sandip Sheth & Associates**
Company Secretaries

sd/-
(SANDIP SHETH)
Proprietor
C.P. No. 4354

Place : Ahmedabad
Date : June 30, 2009

APPENDIX - I
REPORT ON CORPORATE GOVERNANCE
(Pursuant to Clause 49 of the Listing Agreement)

1. Company's Philosophy on Corporate Governance:

As a policy Refnol Resins and Chemicals Limited (RRCL) gives utmost importance to achieving high standards of Corporate Governance and is committed to achieve the highest level of Corporate Governance in order to enhance long-term shareholder value by integration of systems and actions for enhancement of corporate performance. The Company places due emphasis on regulatory compliance.

The Company gives equal importance for maintaining as well as improving the quality of its products and to achieve this, the Company carries out continuous product developments and quality controls.

The Company gives utmost importance for developing a team of competitive professional managers. Overall, policy is set by the Board of Directors and implemented by a team of professional managers in their respective field. The Company gives fair amount of freedom to the employees to get their best contribution to the Company and rewards and incentives are given in recognition thereof.

2. Board of Directors:

Composition & size of the Board

The present strength of the Board is six Directors, The Board of Directors of the Company comprises of optimum mix of both Executive and Non-executive Directors with independent Directors. The Board members consist of persons with professional expertise and experience in various fields of Finance, Accounts, Management, Law, Labour Welfare etc.

Classification of Directors	No. of Directors
Executive Directors	One-Non-promoter Director
Non-executive Directors	
- Independent Directors	Three- Non promoter Director
- Others*	Two- Promoter Director

*The Chairman of the Board is a Non-Executive Director.

In the judgment of the Board of Directors of the Company, following Directors are independent Non-executive Directors:

- Mr. Balchandra Sontakke
- Mr. S. Rajgopalan
- Ms. Devaki Jariwala

Number of Board Meeting held during the year along with the dates of Meeting.

Seven Board Meetings were held during the year 2008-2009. The dates on which the said meetings were held are as follows:

- | | | | |
|----------------------|----------------------|----------------------|-------------------|
| 1) 2nd April 2008 | 2) 24th April 2008 | 3) 30th June 2008 | 4) 31st July 2008 |
| 5) 31st October 2008 | 6) 4th November 2008 | 7) 31st January 2009 | |

Attendance of each Director at Board Meeting and the last Annual General Meeting (AGM) and the number of Companies and Committees where he/she is Director/Member is as under:

Name of Director	PD/NPD*	ED/NED/ ID*	No. of Board Meeting Attended	Attendance at the last AGM	No. of specified Committees (Other than RRCL) in which Chairman / Member	
					Chairman	Member
Mr. Mahendra K. Khatau	PD	NED	7	Yes	-	1
Mrs. Asha M. Khatau	PD	NED	7	Yes	-	-
Mr. Arup Basu	NPD	ED	7	Yes	-	-
Ms. Devaki J. Jariwala	NPD	NED/ID	7	Yes	-	-
Mr. Bhalchandra Sontakke	NPD	NED/ID	7	Yes	-	-
Mr. S. Rajgopalan	NPD	NED/ID	7	Yes	-	1

* PD - Promoter Director NPD - Non Promoter Director, ID - Independent Director, N.E.D - Non-Executive Director, E.D.- Executive Director.

- ❖ The committees mentioned above includes only Audit Committee and Share holders Investors' Grievance Committee.
- ❖ None of the Directors of the Company was a member of more than ten Committees of Boards as stipulated under Clause 49 of the Listing Agreement nor was a Chairman of more than five such committees across all companies in which he was a director.

Information about Directors seeking appointment and re-appointment:

Shri Rajgopalan Iyengar director of the company is seeking re-appointment at the ensuing Annual General Meeting.

Mr. S. Rajgopalan aged about 70 years is a Consultant. He has more than 39 years of experience in the field of finance etc. His skills and knowledge is of immense help to the Company in compliances with various requirements related to costing and other matters related to finance. His re-appointment is also required to make proper composition of Board of Directors consisting of optimum mix of independent and other directors.

Mr. S. Rajgopalan holds directorship in the following company;

- 1) Indokem Ltd.

Ms. Devaki Jariwala director of the company is seeking re-appointment at the ensuing Annual General Meeting.

Ms. Devaki Jariwala aged 60 years, is a Commerce Graduate and chartered accountant, having over a thirty eight years of professional experience. She is with Company more particularly in top Management cadre for more then decade now.

Ms. Devaki Jariwala holds directorship in the following companies;

- 1) MKK Holdings Pvt. Ltd.
- 2) Vindyyapriya Holdings Pvt. Ltd.
- 3) Priyanilgiri Holdings Pvt. Ltd.
- 4) Priyamvada Holdings Ltd.
- 5) Asha Marine Products Pvt. Ltd.
- 6) Khatau Leasing & Finance Co. Pvt. Ltd.
- 7) Khatau Holdings & Trading Co. Pvt. Ltd.
- 8) Prerana Leasing & Finvest Pvt. Ltd.
- 9) Khatau Agrotech Ltd
- 10) Khatau Industries Pvt. Ltd (Formerly Known as Khatau Industries Ltd)
- 11) Khatau Brothers Ltd
- 12) Cheerful Properties Pvt. Ltd
- 13) Indokem Overseas Ltd
- 14) Shubhlabh Chemicals Pvt. Ltd
- 15) Khatau Capacitors Pvt. Ltd
- 16) Indokem Exports Ltd
- 17) Radio Components & Transistors Co. Ltd
- 18) Kapsales Electricals Ltd.

Mr. Arup Basu, Managing Director of the Company whose period of office expires on 14th June 2009 and hence the Board of Directors of the Company unanimously re-appointed Mr. Arup Basu as the Managing Director of the Company w.e.f. 15th June 2009 for a period five years, subject to the approval of the shareholders of the company and of the Central Government, on the remuneration and other terms and conditions as mentioned in the resolution.

Mr. Arup Basu aged about 55 years is a B. Tech, Chemical Engineering from IIT, Bombay and has obtained a postgraduate management degree from IIM, Ahmedabad. He is with company since last 29 years more particularly as Managing Director of the Company since last ten years. He has vast experience in management, administration and effective policy formulations for efficient and smooth running of the company.

Mr. Arup Basu holds directorship in the following company;

- 1) Refinol Overseas Ltd.

Mr. Arup Basu has also furnished to the Company Form DD-A under Companies (Disqualification of Directors under section 274(1)(g) of the Companies Act, 1956) Rules, 2003, stating that he is not disqualified for being re-appointed as Managing Director of the Company.

Information placed before the Board of Directors

All major decisions regarding resource mobilisation, capital expenditure, etc. are considered by the Board, in addition to day-to-day matters, which are statutorily required to be placed before the Board of Directors for its approval. Following information is regularly put up before the Board for its consideration and approval:

- Review of operational results
- Quarterly financial results
- Minutes of the meeting of Audit Committee and Shareholder's/Investors' Grievance Committee of the Board.
- Compliance with various statutory requirements.

The Board is informed of all material, financial and commercial decision from time to time.

3. Audit Committee:

The Audit Committee of the Company comprises of following three Non-Executive Directors, out of which all directors are Independent Director:

- | | |
|-----------------------------|------------------------------|
| 1. Mr. S. Rajgopalan | Chairman/NED and Independent |
| 2. Ms. Devaki Jariwala | Member/NED and Independent |
| 3. Mr. Bhalchandra Sontakke | Member/NED and Independent |

Meeting and the attendance during the year

Five meetings of the Audit Committee were held during the year, which were attended by all Members present on the Board.

The power and role of the Audit Committee are as per Guidelines set out in Clause 49 of the Listing Agreement with the Stock Exchange.

The Terms of the reference of the Audit Committee include approving and implementing the audit procedures and techniques, reviewing the financial reporting systems, internal control systems and control procedures and ensuring compliance with the regulatory guidelines. The Audit Committee met prior to the finalization of Accounts for the year ended 31st March 2009.

The details of attendance of the members at these Audit Committee Meetings are as follows:

Name	Attendance at Audit Committee Meeting held on;				
	28.04.08	30.06.08	31.07.08	31.10.08	31.01.09
Mr. S. Rajgopalan	Yes	Yes	Yes	Yes	Yes
Ms. Devaki Jariwala	Yes	Yes	Yes	Yes	Yes
Mr. Bhalchandra Sontakke	Yes	Yes	Yes	Yes	Yes

The Chairman of the Audit Committee was present at 27th Annual General Meeting of the Company held on 8th September 2008.

4. Remuneration Committee:

- i) The Company constituted remuneration Committee of Directors on 27th June 2005.
- ii) The broad terms of reference of the remuneration Committee are as under;
 - a) To approve annual remuneration plan of the Company.
 - b) To approve the remuneration and commission, incentive remuneration payable if any, to the Managing Director for each financial year.
 - c) Such other matters as the Board may time to time request the Remuneration committee to examine and recommend/ approve.
- iii) The Chairman of the Remuneration Committee was present at the Last Annual General Meeting of the Company held on 8th September 2008.
- iv) The Company does not have any ESOP Scheme.
- v) Remuneration Policy:

The Company's remuneration policy is driven by the success and performance of the individual employee and the Company. Through its compensation programme, the company endeavors to attract, retain, develop and motivate a high performance workforce. The company pays remuneration by way of salary, benefits, perquisites and allowances to its Managing Director. Annual increments are decided by the Remuneration Committee within the salary scale approved by the Members and Central Government.

The Company pays Sitting Fees of Rs. 750 per meeting to its Non-Executive Directors (NEDs) for attending the meeting of the Board. However, the Company does not pay any sitting fees to the members for attending any other committee meetings.

The details of the remuneration paid to the directors for the year 2008-2009 are as follows:

Directors	Salary	Perquisites	Commission	Sitting Fees	(Rs. in lacs)
					Total
Mr. Mahendra K. Khatau	—	—	—	0.053	0.053
Mrs. Asha M. Khatau	—	—	—	0.053	0.053
Ms. Devaki L. Jariwala	—	—	—	0.053	0.053
Mr. Bhalchandra Sontakke	—	—	—	0.053	0.053
Mr. S. Rajgopalan	—	—	—	0.053	0.053
Mr. Arup Basu	12.72	10.29	—	—	23.01

Company has not issued any convertible instrument. However, the details of the Shares held by Non-Executive Directors as at 31st March 2009 are as follows:

Sr. No.	Name of Non-Executive Director	No. of Shares Held
1	Mr. Mahendra K. Khatau	300
2	Mrs. Asha M. Khatau	Nil
3	Ms. Devaki Jariwala	Nil
4	Mr. Bhalchandra Sontakke	Nil
5	Mr. S. Rajgopalan	Nil

5. Shareholders/Investors' Grievance Committee:

RRCL constituted a Shareholders/Investors' Grievance Committee to ensure timely services to the Member/Investors and to supervise the performance of the Registrar and Share Transfer Agent and to provide the best services to the Investors. It is also empowered to approve transfer, transmission and transposition of shares, issue duplicate share certificates, etc. from time to time.

The Committee consists of following three Non-Executive Directors, as under;

1. Mrs. Asha M. Khatau Chairperson/NED
2. Mr. Mahendra K. Khatau Member/NED
3. Ms. Devaki L. Jariwala Member/NED and Independent

Mrs. Asha M. Khatau, who is a non-executive director, is a Chairperson of the Committee and Mr. Arup Basu, Managing Director of the Company is designated as Compliance Officer appointed by the Board.

The number of shareholder's complaints received through Stock Exchange or SEBI during the year 2008-2009 and status of the same are as follows:

Complaints received from	No. of Complaints received	No. of Complaints disposed off satisfactorily	No. of Complaints outstanding as on 31.03.2009
SEBI	None	None	None
Shareholders	1	1	None

All the complaints/queries are promptly attended and resolved to the satisfaction of shareholders. All shares received for transfer were registered and dispatched within the stipulated time, wherever documents were correct and valid in all respects.

6. General Body Meetings:

Details of the location and time of last three Annual General Meetings (AGM), and the details of the resolutions passed are as under.

AGM for the F.Y. ended on	Date and Time of AGM	Location	Particulars of Special resolution passed, if any
2007-08	08th Sept' 08 at 2.00 p.m.	Khatau House, 410/411, Mogul Lane, Mahim (W), MUMBAI-400 016.	NONE
2006-07	5th Sep' 07 at 3.30 p.m.	Khatau House, 410/411, Mogul Lane, Mahim (W), MUMBAI-400 016.	NONE
2005-06	25th Aug' 06 at 3.30 pm.	Khatau House, 410/411, Mogul Lane, Mahim (W), MUMBAI-400 016.	NONE

No Extra Ordinary General Meeting was held during any of the last three financial years.

The shareholders passed all the resolutions set out in the respective notices. No item requiring for postal ballot under the statute was applicable at the aforesaid meetings. At the forthcoming AGM, there is no item on the agenda that needs approval by postal ballot.

7. Disclosure:

- i) There were no transactions of material nature between the Company and its Directors or Management and their relatives or Promoters that may have potential conflict with the interest of the Company. Transactions with the related parties are disclosed in Note No. II (7) of Schedule 20 of the Accounts in the Annual Report.
- ii) The Company continuously endeavors to ensure its employees about their right of access are communicated through means of internal circulars. Your Company has always followed fair business and corporate practices. The Company affirms that no personnel have been denied access to the audit committee.
- iii) As a non-mandatory requirements your Company has adopted the following clauses;
 - a) The Company has set up Remuneration Committee to determine remuneration package of executive director.

8. Means of Communication with shareholders:

- (i) Quarterly Results : Quarterly results were taken on record by the Board of Directors and submitted to the Stock Exchanges in terms of the requirements of clause 41 of the Listing Agreement. Quarterly results are normally published in English and Marathi newspapers.
- (ii) Website : www.refnol.com
- (iii) Whether it also displays official news releases : Press release, if any made by the Company are also displayed time to time.
- (iv) The presentations made to institutional investors or to the analysts : No such presentation has been made during the year.
- (v) Whether MD&A is part of Annual Report : Yes

9. General Shareholders Information:

- (i) Annual General Meeting : Date : 24th September, 2009
Time : 12:00 p.m.
Venue : 410/411, Khatau House, Mogul Lane, Mahim (west), Mumbai-400 016.
- (ii) Financial Calendar : 1st April to 31st March
First Quarter Results - Last week of July '09
Second Quarter/Half year Results - Last week of Oct '09
Third Quarter Results - Last week of January '10
Audited Annual Report - Last week of June '10
- (iii) Book Closure dates : 19/09/2009 to 24/09/2009
- (iv) Dividend Payment Date : The Company has not declared any dividend during last three years.
- (v) Listing on Stock Exchanges : Your Company's share is listed with The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai -1. The Company is regular in payment of Annual Listing fees of The Stock Exchange, Mumbai for the respective financial year.
- (vi) Stock Code : BSE - 530815
- (vii) Market Price Data :

Monthwise high low prices during last year at BSE are as under :

Period	BSE		No. of Shares Traded
	High (Rs.)	Low (Rs.)	
Apr' 08	13.50	11.00	31424
May' 08	15.35	11.36	20886
Jun' 08	13.66	09.25	29539
July' 08	15.34	08.56	55131
Aug' 08	15.65	12.00	76455
Sept' 08	14.65	09.70	16707
Oct' 08	11.85	06.85	38974
Nov' 08	07.28	06.07	14255
Dec' 08	06.94	06.00	09318
Jan' 09	07.75	05.47	14701
Feb' 09	06.61	05.17	14396
Mar' 09	06.00	05.01	04314

- (viii) Registrar & Transfer Agents Address : Pinnacle Shares Registry Private Limited
Nr. Ashoka Mill, Naroda Road, Ahmedabad-380025
- (ix) Share Transfer System : The Company has hired the services of SEBI registered Registrar and Transfer Agent for physical transfer as well as electronic connectivity.

(x) Distribution of Shareholding :

a) Distribution of shareholding as on 31st March 2009

Share Holding of Nominal value		Share Holders		Share Amount	
Rs. (1)		Number (2)	% of Total (3)	In Rs. (4)	% of Total (5)
Upto	5000	875	63.96%	2314190	7.49%
5001	to 10000	265	19.37%	2312770	7.48%
10001	to 20000	111	8.11%	1781300	5.77%
20001	to 30000	34	2.49%	856660	2.77%
30001	to 40000	17	1.24%	631190	2.04%
40001	to 50000	21	1.54%	991270	3.21%
50001	to 100000	29	2.12%	2076140	6.72%
100001	and above	15	1.17%	19935480	64.52%
TOTAL		1367	100.00%	30899000	100.00%

(Note:- These shares does not include 4,33,600 forfeited shares.)

b) Shareholding pattern as on 31st March 2009

Sr. No.	Category	No. of Shares Held	% of Total Shares
1	Promoters	16,25,000	52.591%
2	Mutual Funds/UTI	100	0.003%
3	Private Corporate Bodies	2,27,190	7.353%
4	Public	11,23,513	36.361%
5	NRIs/OCBs	1,13,597	3.676%
6	Any Other	500	0.016%
TOTAL		30,89,900	100.00%

(Note:- These shares does not include 4,33,600 forfeited shares.)

(xi) Dematerialization of Shares and Liquidity :

No. of shares held in dematerialized and physical mode as on 31st March 2009

Particulars	No. of Equity Shares	% to Share Capital
NSDL	25,26,754	81.77%
CDSL	2,82,826	9.15%
Physical	2,80,320	9.08%
TOTAL	30,89,900	100.00%

(Note:- These shares does not include 4,33,600 forfeited shares.)

As per SEBI's Directive, effective from 27th November 2000 trading in equity shares of the Company has been made compulsory in dematerialized form for all the categories of investors. The Company has already established connectivity with National Securities Depository Ltd. and Central Securities Depository Ltd. through Pinnacle Shares Registry Private Limited, Registrar & Share Transfer Agent, so as to facilitate the dematerialization of its shares.

(xii) Outstanding GDRs/ADRs/warrants or any convertible instruments, conversion date and likely impact on Equity : The Company has not issued any of these instruments.

(xiii) Plant Locations : Plot No. 23, Phase-III, G.I.D.C, Naroda, Ahmedabad-382 330.

(xiv) Address for Correspondence : 1. Share Transfer in Physical Form and other communication in that regard including share certificates, dividend and change of address etc., may be addressed to our Registrar & Share Transfer Agents at the address mentioned above.
2. Shareholders may also contact the Compliance Officer, Refnol Resins And Chemicals Limited, Plot No. 23, Phase-III, G.I.D.C Naroda, Ahmedabad-382 330 for any assistance.
3. Shareholders holding shares in electric mode should address all their correspondence to their respective depository participants.

Auditors' Certificate on Corporate Governance

To
The Members,
Refinol Resins & Chemicals Ltd.

We have examined the compliance of conditions of Corporate Governance by Refinol Resins & Chemicals Limited during the year ended March 31, 2009, as stipulated in clause 49 (revised) of the Listing Agreement of the said Company with the Stock Exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that as per the records maintained by the Company, there were no investor grievances remaining unattended / pending for a period exceeding one month as on March 31, 2009.

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

For G. P. Kapadia & Co.
Chartered Accountants

Place : Ahmedabad
Date : June 30th, 2009

Uday. R. Parikh
Partner
Membership No. : 10217

APPENDIX - II

Information in accordance with the Companies (Disclosures of Particulars in the Report of Directors) Rules, 1988 and forming part of Directors' Report for the year ended on 31st March, 2009.

CONSERVATION OF ENERGY / TECHNOLOGY ABSORPTION / FOREIGN EXCHANGE EARNINGS AND OUTGO.**A. CONSERVATION OF ENERGY**

- (a) **Measures taken** : Energy consumption is regularly monitored and measures taken to rectify in case of deviation from norms. Regular maintenance of efficiencies are taken care.
- (b) **Investment and Proposals** : No major investment made.
- (c) **Impact of the above measures** : The Company's operations do not involve substantial consumption of energy in comparison to the cost of production, however constant attention and maintenance of norms has led to better control.
- (d) Total energy consumption and energy consumption per unit of production is as per Form "A".

FORM A**Disclosure of particulars with respect to Conservation of Energy : 2008-2009****I. Power and Fuel Consumption**

	Units	Current Year	Previous Year
1. Electricity			
(a) Purchase from Electricity Board	Kwh	462320	422870
Total amount	Rs. in lacs	25.50	20.37
Average Cost/Unit	Rs./Kwh	5.52	4.82
(b) Own Generation	Kwh	9422	9394
Total Amount	Rs. in lacs	0.58	0.55
Average Cost/Unit	Rs./Kwh	6.15	5.85
2. Others (LSHS / LDO)			
Quantity	Ltrs.	151674	120220
Total Cost	Rs. in lacs	29.45	29.98
Average Rate	Rs./Ltrs	26.00	24.94

II. Consumption per Unit of Production

Products	Quantity	Item	Unit/Qty	Current Year	Previous Year
Chemicals	4810395 Kgs.	Electricity	0.10 KWH/Kg.	0.53 Rs./Kg.	0.47 Rs./Kg.
		Furnace Oil (LDO)	0.03 Ltrs/Kg.	0.82 Rs./Kg.	0.70 Rs./Kg.

B. TECHNOLOGY ABSORPTION**FORM B****Disclosure of Particulars with respect to Technology Absorption : 2008-2009****(I) Research and Development :****1. Specific area in which R & D is carried out by the company :**

The R & D activities of the company are focussed on the following objectives :

- (i) Substitution of imported raw materials and across the spectrum of available raw materials to optimise cost and improve product properties.
- (ii) Improving performance of existing products and modifying to meet customers requirements.
- (iii) Development of new products to meet specific applications.
- (iv) Improvement in process technology.

2. Benefit derived as a result of R & D :

- (i) Company has commercialised a number of new grades of resins as well as garment chemicals and textile chemicals for specific application in domestic and export markets.
- (ii) Improvement in product quality and consistency.
- (iii) Product and packaging made suitable for export markets.

3. Future Plan of action :

The company is focussed on continuous improvement in product quality and to develop new products in response to market requirements.

4. Expenditure on R & D :

- (i) Capital : Rs. 0.18 lacs
- (ii) Recurring : Rs. 4.14 lacs

(II) Technology, Absorption, Adoption and Innovation :**1. Efforts, in brief made towards technology absorption, adoption and innovation**

Technology development in-house is a continuous process and is tailored to meet changing requirement of the market. The Company has a full-fledged R&D division with equipment and instruments conforming to global standards to carry out Research & Development programmes. Continuous research is carried out for process improvements.

2. Benefit derived as a result of the above efforts

The company has been able to satisfactorily produce sizing chemicals, which are import substitutes and introduced a wide range of synthetic resins and garment and textile chemicals tailored to the requirement of domestic and overseas customers.

C. FOREIGN EXCHANGE USED & EARNED

(a) Activities relating to exports, initiatives to increase exports, development of new Export market for products and service and export plans.	:	As mentioned in the Directors' Report
(b) Total foreign exchange used & earned		(Rupees in lacs)
(i) Foreign exchange earned		
- FOB Value of Exports	:	Rs. 655.60
(ii) CIF value of imports	:	Rs. 93.18
(iii) Expenditure in foreign exchange		
Travelling	:	Rs. 4.03

AUDITORS' REPORT**AUDITORS' REPORT TO THE SHAREHOLDERS**

1. We have audited the attached Balance Sheet of REFNOL RESINS AND CHEMICALS LIMITED as at March 31, 2009 and also Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material mis-statements. 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 presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 ("the Order") issued by the Central Government in items of Sub-section 4A of Section 227 of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956;
 - (e) On the basis of written representations received from the Directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2009 from being appointed as a Director in terms of clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956.
 - (f) Attention is invited to the note no. 4 & 5 of schedule 20:
 - (i) Excess depreciation provided in earlier years written back.
 - (ii) Revaluation of Building and Plant & Machineries have been carried out as of 31st March 2009.
 - (g) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with other notes give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2009;
 - (ii) in the case of the Profit & Loss Account, of the 'Profit' of the Company for the year ended on that date and
 - (iii) in the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

For, **G. P. KAPADIA & CO.**
Chartered Accountants

Uday R. Parikh
Partner

Membership No. 10217

Place : Ahmedabad
Date : June 30th, 2009

ANNEXURE TO AUDITORS' REPORT
(Referred to in paragraph 3 of our report of even date)

1. In respect of its fixed assets:
 - a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
 - b. As explained to us, the fixed assets have been physically verified by the management during the year in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.
 - c. No substantial part of Fixed Assets has been disposed off during the year, which has bearing on the going concern assumption.
 - d. Land, Building and Plant & Machineries of the company are revalued on 31st March, 2009 by approved valuers on the basis of assessment of current value of the same. As a result book value of such assets has increased by Rs. 541.33 lacs, which has been transferred to Capital reserve - Revaluation of Fixed Assets.
2. In respect of its inventories:
 - a. As explained to us, inventories have been physically verified by the management at regular intervals during the year.
 - b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c. The Company has maintained proper records of inventories. As explained to us, there was no material discrepancies noticed on physical verification of inventory as compared to the book records.
3.
 - a. The company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, clauses (iii) (b) to (iii) (d) of paragraph 4 of the Order are not applicable to the company for the current year.
 - b. The company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, clauses (iii) (f) and (iii) (g) of paragraph 4 of the Order are not applicable to the company for the current year.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and also for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
5.
 - a. According to the information and explanations given to us, we are of the opinion that during the year, the particulars of the contracts / arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the Register required to be maintained under that section.
 - b. According to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lacs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public and hence the directives issued by the Reserve bank of India and the provisions of Sec. 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposit) Rules, 1975 with regard to the deposits accepted from the public are not applicable to the Company.
7. In our opinion, the internal audit system of the Company is 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 accounts 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, made a detailed examination of the same.

9. In respect of statutory dues:

- a. According to the information and explanations give to us and the records of the company examined by us, in our opinion, the company is late in depositing the undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Custom Duty, Excise Duty, Cess and other Material statutory dues as applicable with the appropriate authorities.
- b. The disputed statutory dues, that have not been deposited on account of matters pending before appropriate authorities is as under :

Sr.No.	Name of the Statute	Nature of the Dues	Forum where Dispute is pending	Amount (Rs. In lacs)
1	Central Excise Act, 1944	Excise Duty	CEGAT , New Delhi	27.18

10. The company has accumulated losses as at 31st March 2009 and has not incurred any cash losses in the current financial year and in the preceding financial year.
11. According to the books of account and records of the company, there has been no default in repayment of dues to bank.
12. In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. In our opinion, on the basis of information and explanations given to us, the term loans were applied 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 during the year for long term investment.
18. During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
19. The Company has not issued any debentures.
20. The Company has not raised any money by way of public issue during the year.
21. During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the management.

For, **G. P. KAPADIA & CO.**
Chartered Accountants

Uday R. Parikh
Partner

Membership No. 10217

Place : Ahmedabad
Date : June 30th, 2009

BALANCE SHEET AS AT 31ST MARCH 2009

(Rupees in lacs)

	SCHEDULE	As At 31st March, 2009	As At 31st March, 2008
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	308.99	308.99
Reserves and Surplus	2	764.19	222.86
		<u>1073.18</u>	<u>531.85</u>
Loan Funds			
Secured Loans	3	253.71	272.26
Unsecured Loans		—	—
		<u>253.71</u>	<u>272.26</u>
TOTAL		<u>1326.89</u>	<u>804.11</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	4	1024.48	477.22
Less : Depreciation		359.15	365.32
Net Block		665.33	111.90
Capital Work in Progress		15.71	—
		<u>681.04</u>	<u>111.90</u>
Investments	5	89.13	89.13
Current Assets, Loans and Advances			
Inventories	6	238.00	192.32
Sundry Debtors	7	690.92	700.09
Cash and Bank Balances	8	81.17	87.69
Loans and Advances	9	177.51	148.40
		<u>1187.60</u>	<u>1128.50</u>
Less : Current Liabilities & Provisions			
Current Liabilities	10	954.32	991.45
Provisions	11	31.53	24.29
		<u>985.85</u>	<u>1015.74</u>
Net Current Assets		201.75	112.76
Profit and Loss Account		354.97	490.32
TOTAL		<u>1326.89</u>	<u>804.11</u>
Accounting Policies and Notes on Accounts	20 & 21		

In terms of our Report of even date
For **G. P. KAPADIA & CO.**
Chartered Accountants

For and on behalf of the Board,

Uday R. Parikh
Partner
Membership No. 10217

Mahendra K. Khatau
Chairman

Arup Basu
Managing Director

Place : Ahmedabad
Date : June 30th, 2009

Place : Mumbai
Date : June 30th, 2009

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

	SCHEDULE	(Rupees in lacs)	
		2008-2009	2007-2008
INCOME			
Sales	12	2389.79	2348.19
Other Income	13	28.39	17.92
Depreciation Written Back		24.40	—
Increase in Stock	14	19.95	3.63
TOTAL		2462.52	2369.74
EXPENDITURE			
Raw Material Consumed	15	1435.01	1401.02
Manufacturing Expenses	16	289.94	306.70
Payments to and Provision for Employees	17	216.14	183.15
Selling, Distribution, Administrative & Other Expenses	18	284.90	204.25
Interest & Financial Charges	19	78.30	66.95
Depreciation	4	18.38	18.12
TOTAL		2322.67	2180.19
Profit for the year		139.85	189.55
Exceptional Item		—	120.40
Provision for Fringe Benefit Tax		4.50	4.45
Profit after Tax		135.35	305.50
Balance brought forward from previous year		490.32	795.82
Balance carried to Balance Sheet		354.97	490.32
Basic and diluted earnings per share (in Rs.)		4.38	9.89
Accounting Policies and Notes on Accounts	20 & 21		

In terms of our Report of even date
For **G. P. KAPADIA & CO.**
Chartered Accountants

For and on behalf of the Board,

Uday R. Parikh
Partner
Membership No. 10217

Mahendra K. Khatau
Chairman

Arup Basu
Managing Director

Place : Ahmedabad
Date : June 30th, 2009

Place : Mumbai
Date : June 30th, 2009

SCHEDULES FORMING PART OF ACCOUNTS

		(Rupees in lacs)									
		As At 31st March, 2009	As At 31st March, 2008								
SCHEDULE-1 : SHARE CAPITAL											
AUTHORISED :											
40,00,000 Equity Shares of Rs.10/-each		400.00	400.00								
TOTAL		400.00	400.00								
ISSUED, SUBSCRIBED :											
35,23,500 Equity Shares of Rs. 10/- each		352.35	352.35								
		352.35	352.35								
PAID UP :											
30,89,900 Equity shares of Rs.10/- each fully paid up		308.99	308.99								
TOTAL		308.99	308.99								
SCHEDULE-2 : RESERVES & SURPLUS											
Share Premium Account - As per last Balance Sheet		168.66	168.66								
Capital Reserve											
- Forfeiture of Shares (As per last Balance Sheet)		54.20	54.20								
- Revaluation of Fixed Assets		541.33	—								
TOTAL		764.19	222.86								
SCHEDULE - 3 : SECURED LOANS											
From Bank											
Working Capital [Secured by a first charge over the entire fixed and current assets and personally guaranteed by one director of the Company.]		240.84	249.73								
Car Loan [Against hypothecation of Cars]		12.87	22.53								
TOTAL		253.71	272.26								
SCHEDULE - 4 : FIXED ASSETS											
		(Rupees in lacs)									
	GROSS BLOCK				DEPRECIATION / AMORTIZATION				NET BLOCK		
Assets	As at 1.4.2008	Additions	Sale/ Transfer	Revalu- ation	As at 31.3.2009	As at 1.4.2008	For the year	Adjust- ments	Up to 31.3.2009	As at 31.3.2009	As at 31.3.2008
Lease Hold Land	5.44	—	—	300.75	306.19	1.53	0.05	—	1.58	304.61	3.91
Building	71.65	—	—	78.32	149.97	33.54	2.39	—	35.93	114.04	38.11
Plant and Machineries	322.63	8.26	—	162.26	493.15	297.31	9.55	20.72	286.14	207.01	25.32
Furniture & Fixtures & Equipments	40.44	1.93	0.82	—	41.55	25.17	3.20	0.44	27.93	13.62	15.27
Vehicles	37.06	—	3.44	—	33.62	7.77	3.19	3.39	7.57	26.05	29.29
TOTAL	477.22	10.19	4.26	541.33	1024.48	365.32	18.38	24.55	359.15	665.33	111.90
Previous Year	458.89	27.75	9.42	—	477.22	354.10	18.12	6.90	365.32	111.90	
Capital Work in Progress										15.71	
										681.04	

Note : *Excess depreciation of earlier years written back Rs. 24.40 lacs

** Due to Revaluation increase of Land, Building and Plant & Machineries by Rs. 541.33 lacs

	(Rupees in lacs)	
	As At 31st March, 2009	As At 31st March, 2008
SCHEDULE - 5 : INVESTMENTS		
Long term : Unquoted In Subsidiary Company 2,40,000 Equity shares of Refinol Overseas Limited of US \$ 1/- each	89.13	89.13
TOTAL	89.13	89.13
SCHEDULE - 6 : INVENTORIES (As valued and certified by the management)		
Packing Materials - At Cost	8.80	8.23
Raw Material - At Cost	144.92	119.76
Stock in Process - At Cost	3.45	4.10
Finished Goods - At lower of Cost or Net Realisable Value	80.83	60.23
TOTAL	238.00	192.32
SCHEDULE-7 : SUNDRY DEBTORS		
UNSECURED		
Over six months		
Considered Good	45.28	33.08
Considered Doubtful	4.55	4.50
	49.83	37.58
Less : Provision	4.55	4.50
	45.28	33.08
Others, Considered Good	645.64	667.01
TOTAL	690.92	700.09
SCHEDULE-8 : CASH AND BANK BALANCES		
Cash on Hand	0.04	0.05
Balances with Scheduled Banks in :		
Current Accounts	21.93	32.48
Fixed Deposit Accounts	59.20	55.16
TOTAL	81.17	87.69
SCHEDULE - 9 : LOANS AND ADVANCES (Unsecured Considered Good)		
Short term Deposit with body corporate	—	0.53
Advances recoverable in cash or kind or for value to be received	108.54	83.14
Deposits	47.42	45.95
Loans & Advances to Staff	0.88	0.07
Advance Tax	20.67	18.71
TOTAL	177.51	148.40
SCHEDULE - 10 : CURRENT LIABILITIES		
Sundry Creditors	536.87	563.19
Other Liabilities	325.63	319.27
Advances from customers	91.82	108.99
TOTAL	954.32	991.45

(Rupees in lacs)
2008-2009 2007-2008**SCHEDULE - 11 : PROVISIONS**

Fringe Benefit Tax	4.50	4.45
Retirement Benefits	27.03	19.84
TOTAL	31.53	24.29

SCHEDULE - 12 : SALES

Sales - Domestic	1940.27	2589.73
Less : Excise Duty / Taxes recovered	296.54	458.45
	1643.73	2131.28
Sales - Exports	746.06	216.91
TOTAL	2389.79	2348.19

SCHEDULE - 13 : OTHER INCOME

Insurance Claim	—	0.88
Misc. Income	11.18	15.50
Balances Written off	17.21	1.54
TOTAL	28.39	17.92

SCHEDULE - 14 : INCREASE / (DECREASE) IN STOCKS

Stock as at 31st March, 2009		
Stock in Process	3.45	4.10
Finished Goods	80.83	60.23
	84.28	64.33
Less : Stock as at 31st March, 2008		
Stock in Process	4.10	4.24
Finished Goods	60.23	56.46
	64.33	60.70
Increase in Stocks	19.95	3.63

SCHEDULE - 15 : RAW MATERIALS CONSUMED

Raw Materials		
Opening Stock	119.77	79.71
Purchases	1460.16	1441.07
	1579.93	1520.78
Less : Closing Stock	144.92	119.76
Raw Material Consumed	1435.01	1401.02

	(Rupees in lacs)	
	2008-2009	2007-2008
SCHEDULE - 16 : MANUFACTURING EXPENSES		
Consumption of Stores and packing materials	173.85	186.79
Power, Fuel, Electricity & Water Charges	67.01	52.53
Repairs - Machineries	4.33	5.47
- Building	0.53	0.89
Inward Freight, Octroi, Clearing & Forwarding	27.88	42.99
Laboratory & Testing Expenses	4.14	7.31
Labour Charges	12.20	10.72
TOTAL	289.94	306.70
SCHEDULE - 17 : PAYMENT TO AND PROVISIONS FOR EMPLOYEES		
Salaries, Wages & Bonus etc.	170.86	147.64
Contribution to Provident Fund & other Funds	18.47	15.94
Staff Welfare	26.81	19.57
TOTAL	216.14	183.15
SCHEDULE - 18 : SELLING, DISTRIBUTION, ADMINISTRATIVE & OTHER EXPENSES		
Insurance	7.77	1.65
Rates & Taxes	0.90	0.49
Other Repairs	0.96	1.39
Rent	4.75	3.28
Postage & Telephone	11.24	11.48
Legal & Professional Charges	12.20	6.34
Conveyance & Vehicle Expense	29.22	25.70
Printing & Stationery	3.01	3.42
Misc. Expenses	7.02	6.06
Loss on sales of assets	0.42	0.36
Directors' Fees	0.26	0.34
Service Charges	0.86	1.56
Licence Registration Fees	0.14	0.20
Commission	60.96	35.31
Outward Freight & Export Expenses	95.49	61.99
Sample Expense	1.74	2.78
Exchange Rate Difference (Net)	6.69	3.31
Advertisement & Sales Promotion	5.55	6.81
Travelling Expenses	28.66	25.47
Stock Transfer tax	7.06	6.31
TOTAL	284.90	204.25
SCHEDULE - 19 : INTEREST & FINANCE CHARGES		
Fixed Loans	67.29	55.44
On Other Accounts	17.99	22.00
	85.28	77.44
Less : Interest Income	6.98	10.49
TOTAL	78.30	66.95

SCHEDULE - 20 : ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**I. SIGNIFICANT ACCOUNTING POLICIES****ACCOUNTING CONCEPTS**

The financial accounts are prepared under the historical cost convention on the accrual basis of accounting and in accordance with Accounting Standards.

FIXED ASSETS

Cost of fixed assets comprises of purchase price and directly attributable cost of bringing the asset to its working condition for the intended use.

Land, Building and Plant & machineries are revalued by approved valuers as on 31st March, 2009 and are stated as per the same.

INVESTMENTS

Investments are shown at cost.

DEPRECIATION

Depreciation on fixed assets is provided on straight line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956. The cost of lease hold land is amortized over the unexpired period of lease from the date of lease.

No depreciation is provided for the current year on revalued assets as the same is accounted for as on 31st March, 2009.

INVENTORIES

Raw materials, consumables and packing materials are valued on first-in-first-out basis, at actual cost, Stock in process is valued at cost comprising of raw materials and direct expenses.

Finished goods include cost of conversion and other costs incurred in bringing the inventories to their present location and condition and are valued at lower of cost or net realisable value.

RETIREMENT BENEFITS

Retirement benefits consisting of gratuity and leave encashment in respect of employees are accounted on the basis of valuation done by Kotak Mahindra Old Mutual Life Insurance Ltd and an independent firm of actuaries respectively.

SALES

Sales is exclusive of Excise Duty / Taxes and also does not include recoveries such as transportation, insurance etc. which are set off against the respective expense heads.

FOREIGN CURRENCY TRANSACTIONS

- Foreign currency transactions are recorded at the exchange rate prevailing on the date of transaction.
- Current Assets and Current Liabilities in foreign currency outstanding at the end of the year are expressed at the year end rate.
- Investment in shares of subsidiary company is expressed at the rates prevailing on the date of transaction.

CONTINGENT LIABILITIES

Contingent Liabilities are not provided for and are disclosed by way of Notes.

II. NOTES ON ACCOUNTS

		(Rupees in lacs)	
		<u>Current</u> <u>Year</u>	<u>Previous</u> <u>Year</u>
1	Contingent Liabilities not Provided for :		
	a) Counter Guarantees given to bank	7.57	7.57
	b) Letter of Credit	301.19	258.90
	c) Claim against company not acknowledged as Debt	15.00	15.00
2	Company is awaiting information from the suppliers to identify enterprises falling under section 22 of the micro, small and medium enterprises development act, 2006.		
3	Company is further under the process of implementation of BIFR order dated 8 June 2006.		
4	Excess depreciation of earlier years Rs. 24.40 lacs has been written back to the credit of Profit & Loss Account resulting into higher profit to that extent.		
5	Land, Building and Plant & Machineries of the company are revalued on 31st March, 2009 by approved valuers on the basis of assessment of current value of the same. As a result book value of such assets has increased by Rs. 541.33 lacs, which has been transferred to Capital reserve - Revaluation of Fixed Assets.		
6	The company's operations fall under single segment namely "Chemicals".		

7 Related Party Disclosure :

a. Parties where control exists :

Refnol Overseas Limited	-	Subsidiary
Indokem Limited	-	Associate
Priyamvada Holdings Limited	-	Associate
Khatau Capacitors Pvt. Ltd.	-	Associate
Orchard acres	-	Associate

b. Other related parties with whom transactions have taken place during the year :

Key Management Personnel & Relatives :

- (1) Mr. Arup Basu, Managing Director
- (2) Mrs. Leela K. Khatau, Executive (Relative of Mr. Mahendra K. Khatau, Chairman).
- (3) Mr. Anil K. Khatau (Relative of Mr. Mahendra K. Khatau, Chairman).

	Current Year	(Rupees in lacs) Previous Year
a. Nature of Transaction		
(i) Sales :		
- Parties where control exists	807.99	1333.42
(ii) Purchase of goods / Payment for other services		
- Parties where control exists	0.96	0.96
- Key Management Personnel & Relative	1.90	1.62
(iii) Interest and other Income Received / Receivable		
- Parties where control exists	0.05	0.16
(iv) Outstanding Balance as at 31st March 2009		
Debtors :		
- Parties where control exists	358.95	383.76
Creditors :		
- Parties where control exists	0.49	-
(v) Remuneration	23.01	19.05
(vi) Hire Charges	2.16	2.16
8 Earning per share :		
Profit for the year	135.35	305.50
Number of equity shares outstanding	3089900	3089900
Basic and diluted earning per share (face value of Rs.10 each)	4.38	9.89

9 Due to Carried forward Book Losses Company has not provided accumulated net deferred tax as on 1st April, 2001 and for the current year as per Accounting Standard 22 (Accounting for Taxes on Income) of The Institute of Chartered Accountants of India.

10. Managing Directors' Remuneration :

Computation of Managing Directors' remuneration u/s 309 (5) of the Companies Act, 1956.

	Current Year	(Rs. in lacs) Previous Year
Salary	12.72	10.62
House Rent Allowance	6.36	5.31
Medical Reimbursement & LTA	1.79	1.33
Contribution to PF & Other Funds	2.14	1.79
	<u>23.01</u>	<u>19.05</u>

11. Auditors' Remuneration :

Schedule 18 includes Auditors' remuneration as under :

Statutory Auditors

i) Audit fees	0.50	0.51
ii) Tax audit fees	0.22	0.22
iii) Other matters	0.45	0.17
Cost Audit fees	0.22	0.22

12. The figures of the previous year have been regrouped / reclassified / rearranged, wherever necessary.

13. Additional information required under Part IV of Schedule-VI to the Companies Act, 1956 are as per Schedule 21.

SCHEDULE - 21 : ADDITIONAL INFORMATION UNDER PART II OF SCHEDULE VI OF THE COMPANIES ACT, 1956.

1. THE QUANTITATIVE INFORMATION WITH REGARD TO THE GOODS MANUFACTURED : YEAR 2008-2009

(Rupees in lacs)

Product	Licensed Capacity	Installed Capacity	Production Quantity Kgs.	Opening Stock		Closing Stock		Sales	
				Quantity Kgs.	Amount Rs.	Quantity Kgs.	Amount Rs.	Quantity Kgs.	Amount Rs.
Chemicals	N.A.	6500 TPA *							
Textile			3243551	54441		79409		3218583	
Resins			512063	12514		13890		510686	
Garment Wash			1041474	44871		56294		1030052	
Others			13307	2562		3017		12852	
			**4810395 (6074666)	114388 (127250)		152610 (114388)		4772173 (6087528)	2389.79 (2348.19)

* The installed capacity is an indicative value and depends significantly upon the product mix.

** Production figures are inclusive of products awaiting final identification, inter product transfer and rejections.

2. CONSUMPTION :

	2008-2009		2007-2008	
	Percentage	Rs.	Percentage	Rs.
(i) Raw materials				
Imported	8.88	127.48	8.43	118.14
Indigenous	91.12	1307.53	91.57	1282.88
TOTAL	<u>100.00</u>	<u>1435.01</u>	<u>100.00</u>	<u>1401.02</u>
(ii) Stores, spares & Packing Materials				
Indigenous	100.00	173.85	100.00	186.79
CIF Value of Imports		93.18		82.18

3. FOREIGN EXCHANGE EARNED :

- Exports at FOB Value	655.60	202.19
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4. EXPENDITURE IN FOREIGN EXCHANGE :

- Travelling	4.03	3.25
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In terms of our Report of even date
For **G. P. KAPADIA & CO.**
Chartered Accountants

For and on behalf of the Board,

Uday R. Parikh
Partner
Membership No. 10217

Mahendra K. Khatau
Chairman

Arup Basu
Managing Director

Place : Ahmedabad
Date : June 30th, 2009

Place : Mumbai
Date : June 30th, 2009

6. Additional information pursuant of Part IV of Schedule VI of the Companies Act, 1956.

i. Registration Details

Registration No.	<input type="text" value="23507"/>	State Code	<input type="text" value="11"/>
Balance Sheet Date	<input type="text" value="31"/> <input type="text" value="03"/> <input type="text" value="2009"/>	Date	Month Year

ii. Capital raised during the year (Amount in Rs. Thousands)

Public Issue	<input type="text" value="Nil"/>	Right Issue	<input type="text" value="Nil"/>
Bonus Issue	<input type="text" value="Nil"/>	FCB Conversion	<input type="text" value="Nil"/>

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

Total Liabilities	<input type="text" value="132689"/>	Total Assets	<input type="text" value="132689"/>
Sources of Funds		Application of Funds	
Paid-up Capital	<input type="text" value="30899"/>	Net Fixed Assets	<input type="text" value="68104"/>
Reserves & Surplus	<input type="text" value="76419"/>	Investments	<input type="text" value="8913"/>
Secured Loans	<input type="text" value="25371"/>	Net Current Assets	<input type="text" value="20175"/>
Unsecured Loans	<input type="text" value="Nil"/>	Misc. Expenditure	<input type="text" value="Nil"/>
		Accumulated Losses	<input type="text" value="35497"/>

iv. Performance of Company (Amount in Rs. Thousands)

Turnover	<input type="text" value="238979"/>	Total Expenditure	<input type="text" value="232267"/>
Profit/(Loss) Before Tax	<input type="text" value="13985"/>	Profit/(Loss) After Tax	<input type="text" value="13535"/>
Earning Per Share in Rs.	<input type="text" value="4.38"/>	Dividend %	<input type="text" value="Nil"/>

v. Generic Names of Four Principal Product/Services of the Company (As per monetary terms)

Product Description	Item Code No. (ITC Code)
TEXTILE CHEMICALS	<input type="text" value="38099190"/>
GARMENT WASH CHEMICALS	<input type="text" value="34029041"/>
LAUNDRY CHEMICALS	<input type="text" value="34029091"/>
RESINS	<input type="text" value="39079120"/>

Note : Classification of products / services under ITC Code being of technical nature is not verified by Auditors.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2009

	2008-2009	(Rupees in lacs) 2007-2008
A. Cash Flow From Operating Activities :		
Net Profit After Tax & Extra Ordinary Items	135.35	305.50
Adjustments For :		
Depreciation	18.38	18.12
Depreciation Written Back	(24.40)	—
Interest Expenses & Finance Charges	85.28	77.44
Interest Income	(6.98)	(10.49)
Provision For Taxation (FBT)	4.50	4.45
Loss on Sale of Fixed Assets	0.42	0.36
Exchange Rate Differece (Net)	6.69	3.31
	<u>83.89</u>	<u>93.19</u>
Operating Profit / Loss Before Working Capital Changes	219.24	398.69
Adjustments For :		
Trade And Other Receivables	(19.94)	(148.91)
Inventories	(45.68)	(41.41)
Trade and Other Payables	(29.89)	(133.86)
	<u>(95.51)</u>	<u>(324.18)</u>
Cash Used In Operations	123.73	74.51
Direct Tax Paid (FBT)	(4.45)	(4.03)
Net Cash Used In Operating Activities	(A) 119.28	70.48
B. Cash Flow From Investing Activities		
Interest Received	5.53	6.50
Purchase Of Fixed Assets	(25.74)	(25.36)
Sale Of Fixed Assets	3.68	2.15
	<u>(16.53)</u>	<u>(16.71)</u>
Net Cash Used In Investing Activities	(B) (16.53)	(16.71)
C. Cash Flow From Financing Activities		
Repayment of Borrowings	(18.55)	—
Long Term Borrowings	—	48.01
Interest & Finance Charges Paid	(84.03)	(76.24)
Exchange Rate Diffrence (net)	(6.69)	(3.31)
Net Cash Used In Financing Activities	(C) (109.27)	(31.54)
Net Increase In Cash And Cash Equivalentents (A+B+C)	<u>(6.52)</u>	<u>22.23</u>
Cash And Cash Equivalentents-Opening Balance	87.69	65.46
Cash And Cash Equivalentents-Closing Balance	81.17	87.69

In terms of our Report of even date
For **G. P. KAPADIA & CO.**
Chartered Accountants

For and on behalf of the Board,

Uday R. Parikh
Partner
Membership No. 10217

Mahendra K. Khatau
Chairman

Arup Basu
Managing Director

Place : Ahmedabad
Date : June 30th, 2009

Place : Mumbai
Date : June 30th, 2009

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956.

- | | | |
|--|---|----------------------------------|
| 1. Name of the Subsidiary Company | : | REFNOL OVERSEAS LTD. |
| 2. The Financial Year of Subsidiary ended on. | : | 31st March, 2009. |
| 3. Date from which it became subsidiary | : | 10th August, 1994 |
| 4. Number of Equity Shares held by the Company on the above date. | : | 2,40,000 Shares of US \$ 1 each. |
| 5. Extent of Holding. | : | 100 % |
| 6. The net aggregate of Profit / (Losses) of the Subsidiary so far as they concern the members of the Company and which are not dealt with the accounts of the Company for the year ended on 31st March, 2009. | | |
| (1) For the Financial Year of the Subsidiary. | : | US \$ 8528 |
| (2) For the previous financial years of the Subsidiary. | : | US \$ 7755 |
| 7. The Net aggregate of Profit / (Losses) of the Subsidiary so far as they concern the members of the Company and which are dealt with the accounts of the Company for the year ended 31st March, 2009. | | |
| (1) For the Financial year of the Subsidiary | : | NIL |
| (2) For the previous Financial Years of the Subsidiary. | : | NIL |

For and on behalf of the Board,

Mahendra K. Khatau
Chairman

Arup Basu
Managing Director

Place : Mumbai
Date : June 30th, 2009

Place : Mumbai
Date : June 30th, 2009

MANAGEMENT AND ADMINISTRATION

- Directors** : Dev Joory
Couldiplall Basanta Lala
Arup Basu
Mahendra Kishore Khatau
- Administrator and
Corporate Secretary** : International Financial Services Ltd.
IFS Court
TwentyEight
Cybercity
Ebene
Mauritius
- Registered Office** : IFS Court
TwentyEight
Cybercity
Ebene
Mauritius
- Auditors** : Horwath (Mauritius)
Public Accountants
3rd Floor, Amod Building
19, Poudrière street
Port Louis
Mauritius
- Banker** : HSBC Bank (Mauritius) Limited
6th Floor, HSBC Center
18 Cybercity,
Ebene

**AUDITORS' REPORT TO THE MEMBERS OF
REFNOL OVERSEAS LIMITED**

We have audited the financial statements of **REFNOL OVERSEAS LIMITED** on pages 5 to 16 which have been prepared on the basis of the accounting policies set out on pages 11 to 14.

This report is made solely to the company's member as a body. Our audit work has been undertaken so that we might state to the company's members those matters, we are required to state to them in the auditor's report and for no other purpose. We do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is our responsibility to form an independent opinion, based on our audit on the financial statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing.

An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit.

We have no relationship with, or any interests in the Company other than in our capacity as auditors in the ordinary course of business.

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Opinion

We have obtained all the information and explanations we considered necessary for the purposes of our audit.

In our opinion.

- (a) proper accounting records have been kept by the company as far as it appears from our examination;
- (b) the financial statements give a true and fair view of the state of affairs of the Company as at 31 March 2009 and of its profit, changes in equity and cash flows for the year then ended and have been properly prepared in accordance with International Financial Reporting Standards.

HORWATH MAURITIUS
Public Accountants

K. S. Sewraz, FCCA
Signing Partner

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REFNOL OVERSEAS LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

	31 March 2009 USD	31 March 2008 USD
INCOME		
Interest income	16,041	16,041
	<u>16,041</u>	<u>16,041</u>
EXPENSES		
Administration and disbursements	2,484	3,520
Audit fee	1,500	1,500
Directors fee	1,530	1,500
Secretarial fee	854	750
Registered office/agent fee	854	750
License fee	197	135
Bank charges	78	66
Registration fee	16	65
	<u>7,513</u>	<u>8,286</u>
Profit for the year	<u><u>8,528</u></u>	<u><u>7,755</u></u>

The notes on pages 9 to 16 from an integral part of these financial Statements.

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BALANCE SHEET AS AT 31 MARCH 2009

	NOTES	31 March 2009 USD	31 March 2008 USD
ASSETS			
Non-current assets			
Investment in subsidiary	5	41,013	41,013
Loan to related company	8	178,238	178,238
		<u>219,251</u>	<u>219,251</u>
Current assets			
Receivables & Prepayments	6	76,742	64,266
Cash and cash equivalents		217	477
		<u>76,959</u>	<u>64,743</u>
Total Assets		<u><u>296,210</u></u>	<u><u>283,994</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	7	240,000	240,000
Retained earnings		48,895	40,367
		<u>288,895</u>	<u>280,367</u>
Current liabilities			
Accruals		7,315	3,627
Total equity and liabilities		<u><u>296,210</u></u>	<u><u>283,994</u></u>

(Director)

(Director)

The notes on pages 9 to 16 from an integral part of these financial Statements.

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REFNOL OVERSEAS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2009

	Stated Capital USD	Retained Earnings USD	Total USD
Balance at 1st April 2007	240,000	32,612	272,612
Profit for the year	—	7,755	7,755
Balance at 31st March 2008	240,000	40,367	280,367
Profit for the year	—	8,528	8,528
Balance at 31st March 2009	240,000	48,895	288,895

The notes on pages 9 to 16 from an integral part of these financial Statements.

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CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

	31 March 2009 USD	31 March 2008 USD
Cash Flows from Operating Activities		
Profit for the year	8,528	7,755
Adjustments for:		
Interest income	(16,041)	(16,041)
Operating loss before working capital changes	(7,513)	(8,286)
Decrease in prepayments	1,966	—
Increase in accruals	3,687	192
Net cash used in operating activities	(1,860)	(8,094)
Cash Flows from Investing Activities		
Interest received	1,600	8,000
Net cash from investing activities	1,600	8,000
Net decrease in cash and cash equivalents	(260)	(94)
Cash and cash equivalents at beginning of the year	477	571
Cash and cash equivalents at end of the year	217	477

The notes on pages 9 to 16 from an integral part of these financial Statements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

1. GENERAL INFORMATION

The Company was incorporated in Mauritius on 10 August 1994 as a private Company with liability limited by shares and has its registered office address at IFS Court Twenty Eight, Cybercity, Ebene, Mauritius. It holds a Category 2 Global Business Licence issued by the Financial Services Commission. The Companies Act 2001 1 exempts such companies from the audit of financial statements.

The Company is mainly engaged in investment holding.

The financial statements of the Company are expressed in the United States Dollar (USD). The Company's business is carried out in a currency other than the Mauritian Rupee. The Company's functional currency is the USD, the currency of the primary economic environment in which the Company operates.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 July 2007.

At the date of authorisation of these financial statements, the following Standards and interpretations were in issue but not yet effective:

- IAS 1 - Presentation of Financial Statements - Comprehensive revision including requiring a statement of comprehensive income
- IAS 1 - Presentation of Financial Statements - Amendments relating to disclosure of puttable instruments and obligations arising on liquidation
- IAS 1 - Presentation of Financial Statements - Amendments resulting from May 2008 Annual Improvements to IFRSs
- IAS 16 - Property, Plant and Equipment - Amendments resulting from May 2008 Annual Improvements to IFRSs
- IAS 19 - Employee Benefits - Amendments resulting from May 2008 Annual Improvements to IFRSs
- IAS 20 - Government Grants and Disclosure of Government Assistance - Amendments resulting from May 2008 Annual Improvements to IFRSs
- IAS 23 - Borrowing costs - Comprehensive revision to prohibit immediate expensing
- IAS 23 - Borrowing costs - Amendments resulting from May 2008 Annual Improvements to IFRSs
- IAS 27 - Consolidated and Separate Financial Statements - Consequential amendments arising from amendments to IFRS 3
- IAS 27 - Consolidated and Separate Financial Statements - Amendment relating to cost of an investment on first time adoption.
- IAS 27 - Consolidated and Separate Financial Statements Amendments resulting from May 2008 Annual Improvements to IFRSs
- IAS 28 - Investments in Associates Consequential amendments arising from amendments to IFRS 3

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- IAS 28 - Investments in Associates - Amendments resulting from May 2008 Annual Improvements to IFRSs
- IAS 29 - Financial Reporting in Hyperinflationary Economies - Amendments resulting from May 2008 Annual Improvements to IFRSs 11
- IAS 31 - Interests in Joint Ventures - Consequential amendments arising from amendments to IFRS 3
- IAS 31 - Interests in Joint Ventures Amendments resulting from May 2008 Annual Improvements to IFRSs
- IAS 32 - Financial Instruments: Presentation - Amendments relating to puttable instruments and obligations arising on liquidation
- IAS 36 - Impairment of Assets - Amendments resulting from May 2008 Annual Improvements to IFRSs
- IAS 38 - Intangible Assets - Amendments resulting from May 2008 Annual Improvements to IFRSs
- IAS 39 - Financial instruments: Recognition and Measurement - Amendments resulting from May 2008 Annual Improvements to IFRSs
- IAS 40 - Investment Property - Amendments resulting from May 2008 Annual Improvements to IFRSs
- IAS 41 - Agriculture - Amendments resulting from May 2008 Annual Improvements to IFRSs
- IFRS 1 - First-time Adoption of International Financial Reporting Standards - Amendment relating to cost of an investment on first-time adoption
- IFRS 2 - Share-Based Payment - Amendment relating to vesting conditions and cancellations
- IFRS 3 - Business Combinations - Comprehensive revision on applying the acquisition method
- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations - Amendments resulting from May 2008 Annual Improvements to IFRSs
- IFRS 8 - Operating Segments
- IFRIC 11 - Group and Share Treasury Transactions
- IFRIC 12 - Service Concession Arrangements

REFNOL OVERSEAS LIMITED

IFRIC 13 - Customer Loyalty Programme

IFRIC 14 - IAS 19 - The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC 15 - Agreements for the construction of real estate

IFRIC 16 - Hedges of a net investment in a foreign operation

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company.

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3. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with and comply with international Financial Reporting Standards ("IFRS"). The preparation of financial statements in accordance with IFRS requires the directors to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared under the historical cost convention.

Investment in subsidiary

Investment in Texcare Middle East LLC, the subsidiary, has been stated at cost. The carrying amount is reduced to recognise any impairment in the value of individual investment.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Income Statement.

Stated capital

Stated capital is determined using the nominal values of shares that have been issued. Accumulated losses include all current and prior results as disclosed in the income statement.

Foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. Monetary gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Such balances are translated at the year-end exchange rates unless hedged by forward exchange contracts, in which case the rates specified in such contracts are used.

Income tax

Income taxes currently payable are provided for in accordance with the existing legislation of the various countries in which the Company operates.

Deferred tax

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax.

The principal temporary differences arise from tax losses carried forward. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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Expenses recognition

All expenses are accounted for in the income statement on the accrual basis.

Related parties

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation has been made. At the time of the effective payment, the provision is deducted from the corresponding expenses.

All known risks at balance sheet date are reviewed in detail and provision is made when necessary.

Financial instruments

Financial instruments carried on the Balance Sheet include investment in subsidiary, loan to related company, receivables (excluding prepayments), cash and cash equivalents and accruals. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Disclosures about financial instruments to which the Company is a party are provided on note 9.

Cash and cash equivalents

Cash comprises cash at bank. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Receivables

Receivables are stated at the principal amount outstanding, net of any allowance for Uncollectible amount.

Accruals

Accruals are stated at the nominal value.

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Loan receivables

Loan receivables are non-derivative financial assets with fixed and determinable payments that are not quoted on an active market. The loan are initially recognised at fair value and subsequently measured at amortised cost using the effective market method, less provision for impairment

Consolidated financial statements

The company owns 100 % of the share capital of Texcare Middle East LLC. International Accounting Standard (IAS 27) — Consolidated and Separate Financial statements require the Company to prepare consolidated financial statements which include the financial statements of the subsidiaries.

Since the Company is a wholly owned subsidiary of Refinol Resins and Chemicals Ltd, having its registered office at Plot 23, Phase III, G.I.D.C. Industrial Estate, Naroda — 382 330, Ahmedabad India, which prepares consolidated financial statements under IFRS including those of the Company and its subsidiary, the Company is therefore exempt according to IAS 27 to prepare group accounts.

Financial risk management — Overview

The Company has exposure to the following risks from its use of Financial instruments :

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from investment securities.

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ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Critical accounting judgments in applying the Company's accounting policies

In the process of applying the Company's accounting policies, which are described in Note 3, the directors have made the following judgments that have the most effect on the amounts recognised in the financial statements:

Determination of functional currency

The determination of functional currency of the Company is critical since recording of transactions and exchange differences arising there are dependent on the functional currency selected. As described in Note 1, the directors have considered those factors herein and have determined that the functional currency of the company is USD.

4. Taxation

The Company holds a Category 2 Global Business Licence. It is not tax resident in Mauritius and therefore is exempt from the payment of income tax.

5. INVESTMENT IN SUBSIDIARY

	2009 USD	2008 USD
Cost at 31 March	41,013	41,013

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5. Investment in subsidiary (Contd...)

Details of the investment are as follows:

Investee Company	No. of shares	% Holding	Cost	Cost
			31 March 2009 USD	31 March 2008 USD
Unquoted				
Texcare Middle East LLC (formerly Refinol International L.L.C.) (Incorporated in Sharjah UAE)	300	100	<u>41,013</u>	<u>41,013</u>

6. Receivables and prepayments

	2009 USD	2008 USD
Interest receivable on loan	<u>56,618</u>	42,177
Other receivable	<u>20,000</u>	20,000
Prepayments	<u>124</u>	2,090
	<u><u>76,742</u></u>	<u><u>64,267</u></u>

7. Stated Capital**Issued and fully paid**

240,000 Ordinary shares of US \$1 each	<u>240,000</u>	<u>240,000</u>
--	----------------	----------------

8. Related party transaction

During the year, the following transactions were carried out in the normal course of business with a related party:

Loan to subsidiary

Texcare Middle East LLC (formerly Refinol International L.L.C.)

Balance at beginning and end of year	<u>178,238</u>	<u>178,238</u>
--------------------------------------	----------------	----------------

The loan to subsidiary is unsecured, bears interest at the rate of 9% per annum and is repayable after more than one year.

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9. Financial instruments**A) Values of Financial Instruments**

The Company's investment are valued as described in Note 5.

The Company's other financial assets and liabilities include receivables and accruals which approximate their fair values.

i) Currency risk

The Company invests in shares denominated in Arab Emirates Dirham (AED). Consequently, the Company is exposed to the risk that the exchange rate of the US Dollars relative to the AED may change in a manner which has a material effect on the reported values of the Company's investment denominated in AED.

B) Financial Risks**ii) Liquidity Risk**

Liquidity risk is managed by ensuring the financial support of the Company's Shareholder.

iii) Interest rate risk

The Company's exposure to interest rate risk is limited as its only interest bearing financial instrument is in the form of cash at bank.

The currency profile of the Company's financial assets and liabilities is summarised as follows:

	Financial Assets 2009 USD	Financial Liabilities 2009 USD	Financial Assets 2008 USD	Financial Liabilities 2008 USD
Arab Emirates Dirham	<u>41,013</u>	<u>—</u>	41,013	—
United States Dollars	<u>255,073</u>	<u>7,315</u>	<u>240,892</u>	<u>3,627</u>
	<u><u>296,086</u></u>	<u><u>7,315</u></u>	<u><u>281,905</u></u>	<u><u>3,627</u></u>

10. Holding Company

The directors regard Refinol Resins and Chemical Limited, a company incorporated in India as the Company's immediate and ultimate holding company.

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REFNOL RESINS AND CHEMICALS LIMITED

Regd. Office : 410/411, Khatau House, Mogul Lane, Mahim (West), Mumbai - 400016.

ATTENDANCE SLIP

I hereby record my presence at the Twenty Eight Annual General Meeting to be held on 24th September, 2009 at 12:00 P.M. at 410/411, Khatau House, Mogul Lane, Mahim (West), Mumbai-400 016.

Folio No.	Status
Name :	
No. of Shares Held	
Venue : Mumbai.	
Time : 12:00 P. M.	

Signature of the Attending Member/Proxy: _____

TEAR HERE

REFNOL RESINS AND CHEMICALS LIMITED

Regd. Office : 410/411, Khatau House, Mogul Lane, Mahim (West), Mumbai - 400016.

PROXY FORM

Folio No. _____ No. of Shares Held _____

I/We _____ of _____

_____ being a Member / Members of REFNOL RESINS AND CHEMICALS LIMITED, hereby appoint

_____ of _____

or failing him of _____ of _____

as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the Twenty Eight Annual General Meeting of the Company to be held on 24th September, 2009 or at any adjournment thereof.

Signed this _____ day of _____ 2009.

Signature _____

Affix
1 Rupee
Revenue
Stamp

* Strike out whichever is not applicable.

Note : Shareholders/proxy holder wishing to attend the meeting must bring the Attendance Slip to the meeting and hand over at the entrance duly signed.

Shareholders/proxy holder desiring to attend the meeting should bring his/her copy of Annual Report for reference at the meeting.

The Proxy form must be deposited at the Registered Office of the Company at 410/411, Khatau House, Mogul Lane, Mahim (west), Mumbai - 400016 not less than 48 hours before the commencement of the meeting. i.e. latest by 12:00 P. M. on Tuesday the 22nd September, 2009. The Proxy need not be a member of the Company.