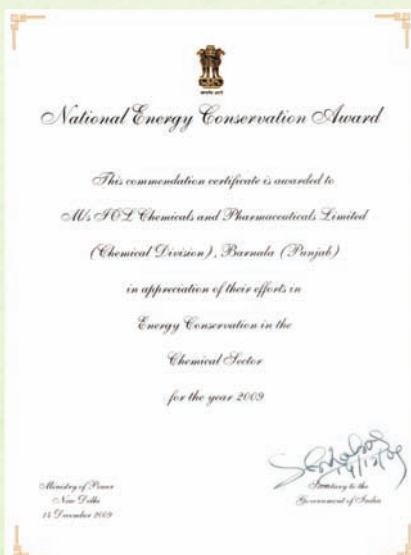


23rd Annual Report
2009-2010



IOI Chemicals and Pharmaceuticals Limited



Awarded with two most prestigious "**National Energy Conservation Award 2009**" for both its divisions, *second prize in Drugs & Pharmaceuticals Sector* and another Commendation Certificate in Chemical Sector Consecutively for the Year 2005, 2006, 2007, 2008 & 2009 by ministry of power, Government of India



Mr RK Thukral, Executive Director, received "National Energy Conservation Award" from Mr Sushil Kumar Shinde, Hon'ble Minister of Power, Government of India at a special felicitation ceremony held on December 14, 2009, National Energy Conservation Day, at New Delhi

Board of Directors

Mr Varinder Gupta - *Chairman & Managing Director*
 Dr M A Zahir
 Mr Chandra Mohan
 Dr (Mrs) H K Bal
 Mr Parminder Singh Cheema - *IDBI Nominee*
 Mr Yogesh Goel
 Mr Ravi Pratap Singh
 Mrs Dimple Gupta
 Mr R K Thukral - *Executive Director*

Vice President & Company Secretary

Mr Krishan Singla

Statutory Auditors

M/s S C Vasudeva & Co.
 Chartered Accountants,
 New Delhi

Cost Auditors

M/s Ramanath Iyer & Co.
 Cost Accountants,
 New Delhi

Bankers

Punjab National Bank
 State Bank of India
 Allahabad Bank
 Oriental Bank of Commerce

Registrar and Share Transfer Agents

Alankit Assignments Limited
 2E/21, Jhandewalan Extension,
 New Delhi - 110055.
 Phone : +91-11-23541234, 42541234
 Fax : +91-11-42541967
 E-mail : rta@alankit.com

Board's Committees**Audit and Risk Management Committee**

Dr M A Zahir - *Chairman*
 Dr (Mrs) H K Bal
 Mr Parminder Singh Cheema

Investors' Grievance Committee

Dr (Mrs) H K Bal - *Chairman*
 Dr M A Zahir
 Mrs Dimple Gupta

Remuneration Committee

Dr M A Zahir - *Chairman*
 Dr (Mrs) H K Bal
 Mr Parminder Singh Cheema

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Registered Office

Trident Complex, Raikot Road,
 Barnala - 148101
 Phone: +91-1679 - 244701-07
 Fax : +91-1679 - 244708
 E-mail : contact@iolcp.com

Head Office

85, Industrial Area, 'A'
 Ludhiana - 141003
 Phone: +91-161 - 2225531-35
 Fax : +91-161 - 2608784
 E-mail : contact@iolcp.com

Works

Village Fatehgarh Chhana,
 Mansa Road, Barnala - 148101
 Phone: +91-1679 - 285285-86
 Fax : +91-1679 - 285292
 E-mail : contact@iolcp.com

Please visit our website : www.iolcp.com



NOTICE

NOTICE is hereby given that the Twenty-third Annual General Meeting of the members of **IOL Chemicals and Pharmaceuticals Limited** will be held on Saturday, 14 August 2010 at 10.00 AM at the Registered Office of the Company; Trident Complex, Raikot Road, Barnala, Punjab to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31 March 2010 and the Profit & Loss Account for the financial year ended on that date together with the Reports of the Auditors and Board of Directors thereon.
2. To appoint a director in place of Mr Chandra Mohan, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Mrs Dimple Gupta, who retires by rotation and being eligible, offers herself for re-appointment.
4. To appoint Auditors and to fix their remuneration.
M/s S C Vasudeva & Co., Chartered Accountants, the retiring Auditors, being eligible, offer themselves for re-appointment.

Special Business:

5. Issue of warrants/equity shares on preferential basis.

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

"RESOLVED that pursuant to the provisions of section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof) and the enabling provisions of the Memorandum and Articles of Association of the Company and the Listing Agreement entered into by the Company with the Stock Exchanges where the shares of the Company are listed and the prevailing statutory guidelines/regulations in that behalf and subject to all necessary consents, permissions and approvals and/or sanctions from all the appropriate authorities, including the Securities and Exchange Board of India (SEBI), Government of India, Reserve Bank of India, Financial Institutions, Banks, Agents and Trustees, Stock Exchanges and all other bodies and institutions as may be relevant (hereafter singly or collectively referred to as "the Appropriate Authorities") and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting any such consents, permissions, approvals and/or sanctions (hereafter singly or collectively referred to as "the requisite approvals") and which may be agreed to by the Board of Directors of the Company (herein referred to as "the Board which term shall be deemed to include any committee(s) consisting of one or more members of the Board and/or one or more officials of the Company appointed by the Board in this behalf which the Board may constitute to exercise the powers of the Board) the consent, permission

and approval of the Company be and is hereby accorded to the Board to issue, offer and allot 15,00,000 (Fifteen lac) warrants, carrying the option to the holders of such warrants to subscribe to one equity share of face value of Rs 10/- at premium of Rs 68/- per share for every warrant held, within a period of 18 months from the date of allotment of the warrants, to G Consultants and Fabricators Limited, Non-Promoter on preferential basis in accordance with the applicable laws.

"RESOLVED FURTHER that such allotment shall be made in accordance with the extant SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred as "SEBI Regulations") and the price of the equity shares arising out of exercise of option attached with warrants, to be allotted, shall not be lower than the price as determined under SEBI Regulations. The relevant date for the purpose of determining the price for the issue of the equity shares in accordance with the SEBI Regulations is 15 July 2010"

"RESOLVED FURTHER that equity shares to be issued by the Company shall rank pari-passu with existing shares of the Company in all respects."

"RESOLVED FURTHER that the Board be and is hereby authorized to issue, offer and allot the requisite number of warrants and the equity shares arising out of conversion to the proposed allottee at such time or times and in one or more tranches, as the Board may in its absolute discretion decide, subject however to the SEBI Regulations and the other applicable laws and on such terms and conditions including the terms of payment as may be mutually agreed between the Board and the proposed allottee and shall also be entitled to vary, modify or alter any of the terms and conditions, including the size of the issue, as may be deemed expedient by the Board and the proposed allottee."

"RESOLVED FURTHER that for giving effect to this resolution, the Board be and is hereby authorized to take all such steps and actions, to give such directions as it may in its absolute discretion, deem necessary or desirable and also to settle any question or difficulty that may arise with regard to the proposed issue, offer and allotment of the warrants or equity shares upon the exercise of option attached with the warrants."

"RESOLVED FURTHER that the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee of the Board or the Chairman and Managing Director or any other officer or authorized representative of the Company to give effect to the aforesaid resolution."

By order of the Board
For IOL Chemicals and Pharmaceuticals Limited

Sd/-
[Krishan Singla]
Place : Barnala
Dated: 17 July 2010 Vice President & Company Secretary

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

NOTES:

- i) The explanatory statement, pursuant to Section 173 of the Companies Act, 1956, in respect of special business is annexed hereto.
- ii) **A member entitled to attend and vote is entitled to appoint a proxy to attend and vote on poll instead of himself/ herself and the proxy need not be a member. Proxy form in order to be effective must be received by the Company not less than 48 hours before the meeting. The blank proxy form is enclosed.**
- iii) All activities for transfer of shares, dematerialization of shares, change of address etc. are carried out by the Company through its Registrar and Share Transfer Agents (RTA). Members are requested to make their requests to RTA at the following address:
**Alankit Assignments Limited
2E/21, Jhandewalan Extension,
New Delhi-110 055**
- iv) The Register of Members and share transfer books will remain closed from **Tuesday, 10 August 2010 to Saturday, 14 August 2010** (both days inclusive).
- v) Members who are holding shares in identical order of names under more than one folio are requested to send the relative share certificates to the RTA for consolidation of the entire holding under one folio.
- vi) Documents referred to in the Notice are open for inspection at the Registered Office of the Company on all working days, except holidays, between 11.00 AM to 1.00 PM.
- vii) Members desiring any information on Accounts or other items of Agenda are requested to write to the Company at its Registered Office at least ten days before the date of Annual General Meeting so as enable the Management to keep information ready.
- viii) Members are requested to:
 - a) Intimate their Permanent Account Number (PAN).
 - b) Send nomination form (format available on Company's website), if not sent earlier.
 - c) Notify the change of address with pin code, to ensure quick delivery of letters and quote their folio/ client ID & DP ID in all correspondence.
 - d) Bring their copies of Annual Report at the meeting.
 - e) Complete enclosed attendance slip and deliver the same at the entrance of the meeting hall.
 - f) Intimate their **e-mail Id** for quick correspondence with them at **investor@iolcp.com** and/or register themselves at Company's website **www.iolcp.com**

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

Item No. 5

The Company requires funds in near future to achieve economic growth in the business and for meeting present and future

capital expenditure for expansion/ modernization of activities, working capital requirements arising out of increased volume of business and for other corporate purposes as may be required from time to time.

The proposed allottee has principally agreed to subscribe aforesaid warrants convertible into equity shares and Letters of Intent has been received.

The Board proposes to issue 15,00,000 (Fifteen lac) warrants, carrying an option to the holder of such warrants to subscribe to one equity share of face value of Rs 10/- at premium of Rs 68/- per share for every warrant held, within a period of 18 months from the date of allotment of the warrants to G Consultants and Fabricators Limited, Non-Promoter on preferential basis in accordance with SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred as "SEBI Regulations") and other applicable laws.

Objective of the Issue

The funds to be used for meeting present and future capital expenditure for expansion /modernization of activities, working capital requirements arising out of increased volume of business and for other corporate purposes as may be required from time to time.

Pricing of the issue

The minimum price for the issue of warrants or equity shares arising out of exercise of option attached to the warrants shall be determined in accordance with SEBI Regulations. The relevant date for the purpose of determining the price is 15 July 2010.

The equity shares arising out of exercise of option attached to the warrants proposed to be allotted on preferential basis would be issued at a price determined by the SEBI pricing formula or Rs 78/- per share, whichever is higher. An amount equivalent to 25% of the price fixed in terms of abovesaid clause shall become payable for the warrants on the date of its allotment. The amount deposited with the application will be forfeited in case the warrant holders fail to exercise the option to subscribe the equity shares within the prescribed time.

Proposed time for completion of allotment

The allotment of warrant shall be completed within a period of 15 days from the date of the passing of this resolution, provided where the allotment is pending on account of any statutory approval or approval from any regulatory authority or the Central Government, the allotment shall be completed within 15 days of such approval.

Lock-in-period

These warrants and equity shares to be allotted on the exercise of the warrants to Non-Promoter shall be subject to lock-in for a period as prescribed under SEBI Regulations.

Identity of proposed allottee & percentage of holding

G Consultants and Fabricators Limited, is Non-promoter company and presently not holding any share of the Company. After the allotment of 15,00,000 equity shares, it shall have 6.19% shareholding in the Company.

Shareholding Pattern before and after the proposed preferential allotment

Particulars	Pre-issue shareholding		Post issue shareholding after conversion of said 15 lac warrants issued to non-promoter		Post issue shareholding after conversion of all outstanding warrants	
	Shares	% age	Shares	% age	Shares	% age
Promoters	1,24,40,053	54.76	1,24,40,053	51.37	1,54,40,053	56.73
Subtotal	1,24,40,053	54.76	1,24,40,053	51.37	1,54,40,053	56.73
Mutual Fund	10,700	0.05	10,700	0.04	10,700	0.04
Foreign Investors	33,22,707	14.63	33,22,707	13.72	33,22,707	12.21
Body Corporate	39,09,348	17.21	54,09,348	22.34	54,09,348	19.87
Individuals	30,33,856	13.35	30,33,856	12.53	30,33,856	11.15
Subtotal	1,02,76,611	45.24	1,17,76,611	48.63	1,17,76,611	43.27
TOTAL	2,27,16,664	100.00	2,42,16,664	100.00	2,72,16,664	100.00

Auditors' certificate

The Statutory Auditors' certificate as per SEBI Regulations shall be placed before the members.

Pursuant to the provisions of Section 81(1A) of Companies Act, 1956, any offer or issue of securities in a Company to any person other than the holders of the equity shares of a Company or to such holders otherwise than in proportion to the capital paid-up, requires prior approval of the members in general meeting by a Special Resolution.

The Board, accordingly recommends the resolution for approval of the members.

None of Director of the Company is, in any way, concerned or interested in the said resolution.

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

Name of the Director	Mr Chandra Mohan	Mrs Dimple Gupta
Date of Birth	30 December 1932	26 June 1967
Date of Appointment	27 October 2005	13 March 2006
Expertise in specific functional area	An inventor-engineer, pioneering R&D scientist, gutsy entrepreneur, business leader, educationist & community builder	Industrialist
Total experience	More than 50 years	20 years
Present profession	Consultant	Industrialist
Qualification	BA (Hons) & BSc in Mechanical Engineering	Graduate
Directorships in other companies	1. Rico Auto Industries Ltd 2. Engineering Innovations Ltd 3. Sandhar Technologies Ltd 4. Winsome Yarns Ltd 5. DCM Engineering Ltd 6. Kamla Dials & Devices Ltd 7. Winsome Textiles Industries Ltd	1. Mayadevi Polycot Ltd 2. IOL Lifesciences Ltd 3. NM Merchantiles Ltd 4. NCG Enterprises Ltd
Chairmanship of Board Committees	Nil	Nil
Membership of Board Committees	Audit Committee 1. Winsome Yarns Ltd 2. DCM Engineering Ltd 3. Winsome Textiles Industries Ltd Shareholders'/Investors' Grievance Committee 1. Winsome Textiles Industries Ltd	Shareholders'/Investors' Grievance Committee 1. IOL Chemicals and Pharmaceuticals Ltd
No of shares held	Nil	Nil
Relationship with other directors	Not related to any other director of the Company.	Wife of Mr Varinder Gupta, Chairman & Managing Director.

Registered Office:

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

By order of the Board
For IOL Chemicals and Pharmaceuticals Limited

Place : Barnala
Dated : 17 July 2010

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

DIRECTORS' REPORT**Dear Members**

Your Directors are pleased to present the Twenty-third Annual Report and Audited Accounts for the financial year ended 31 March 2010.

1. Financial Results

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

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Net sales and other income	35,041.67	30,519.36
Profit before interest & depreciation	3,953.26	3,601.88
Interest	1,486.74	1,491.95
Profit before depreciation	2,466.52	2,109.93
Depreciation	1,001.12	1,000.16
Profit before tax	1,465.40	1,109.77
Provision for tax (including deferred tax)	463.80	(159.65)
Profit after tax	1,001.60	1,269.42
Balance carried to the Balance Sheet	4,619.54	3,617.94

2. Performance Review

There was a healthy improvement in the overall performance and profitability of the Company in comparison to the previous year's performance. Net sales and other income of the Company has increased by 14.82% to Rs 350.42 crore from Rs 305.19 crore. Corresponding profit before interest & depreciation has increased by 9.76% to Rs 39.53 crore during the year under review against from Rs 36.02 crore. Net profit after tax decreased by 21% to Rs 10.02 crore during the year under review from Rs 12.69 crore of the previous year due to the higher provision for taxation of Rs 4.64 crore against during the year under review in comparison to a deferred tax credit of Rs (1.60) crore.

3. Dividend

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

4. Allotment of Equity Share and Warrants

During the year under review, paid up equity share capital of the Company has been increased from Rs 18,15,00,000 to Rs 22,71,66,640 due to allotment of 45,66,664 equity shares of Rs 10 each on conversion of fully convertible debenture and warrants in following trenches:

- 18,66,664 equity shares at a premium of Rs 65 per share on 21 April 2009 against conversion of fully convertible debenture which were earlier issued to non-promoters on preferential basis.
- 12,00,000 equity shares at a premium of Rs 65 per share on 21 April 2009 against exercise of options attached to warrants which were earlier issued to promoters on preferential basis.
- 15,00,000 equity shares at a premium of Rs 46 per share on 16 January 2010 to promoters on preferential basis.

In addition to above, Company has allotted 30,00,000 (thirty lac) warrants on 16 January 2010, carrying an option to the holders of such warrants to subscribe to one equity share of Rs 10 at premium of Rs 46 per share for every warrant held, within a period of 18 months from the date of allotment of the warrants, to the promoters/ promoters' companies on preferential basis.

5. Issue of Foreign Currency Convertible Bonds (FCCBs)

Company has issued 50 Zero Coupon Unsecured Foreign Currency Convertible Bonds on 28 May 2010 due June 2015 (ISIN XS 0505067461) aggregating to USD 5 million (subject to an option to issue an additional USD10 million of such bonds) to international investors to part finance capital expenditure programme of the Company. Each bond is convertible into equity shares of face value of Rs 10 each of the Company at

a conversion price of Rs 78 per share at any time on or after 28 May 2010 until the close of business on 28 May 2015, unless previously redeemed, converted or purchased and cancelled. The Company has also option to convert the bonds at any time from 28 November 2014 to 28 May 2015. Bonds which are not redeemed, converted or purchased and cancelled, are redeemable on 5 June 2015 at an amount equal to principal amount of the Bonds multiplied by 141.24872.

These bonds have been listed on the Luxembourg Stock Exchange, Luxembourg.

6. Expansion project

Expansion cum Backward and Forward integration project, undertaken by Company has been successfully completed and implemented during the year under review with aggregated project cost of Rs 258 crore. Following enhanced capacities became commercially operative during the year :

Sr No.	Product	Unit	Earlier capacities	Enhanced capacities
1.	Acetic Acid	TPA	50,000	75,000
2.	Ethyl Acetate	TPA	33,000	36,000
3.	Acetic Anhydride	TPA	12,000	18,000
4.	Ibuprofen	TPA	3,600	6,000
5.	Cogeneration Power	MW	4	17
6.	Acetyl Chloride	TPA	—	5,200
7.	Mono Chloro Acetic Acid	TPA	—	7,200
8.	Iso Butyl Benzene	TPA	—	6,600

Company has now embarked upon a second phase of capacity enhancement and diversification into more value-added pharmaceutical products which will involve a CAPEX of Rs 130 crore. Detail of proposed capacities under this project is as follow:

Sr No.	Product	Unit	Present capacities	Proposed capacities
1.	Proton Pumps Inhibitors (PPI's)	TPA	—	150
2.	Multi Purpose Plant	TPA	—	2,400
3.	Ethyl Acetate	TPA	36,000	42,000
4.	Acetic Anhydride	TPA	18,000	30,000
5.	Iso Butyl Benzene	TPA	6,600	9,000

7. Credit Rating

The Credit Analysis & Research Ltd (CARE) has rated Company as "CARE BBB" for Long Term Facilities which indicates moderate safety for timely servicing of debt obligations and as "PR2" for Short Term Facilities which indicates adequate capacity for timely payment of short term debt obligations.

8. Awards

Members would be happy to note the receipt of following awards by their Company during the year under review:

- 1 National Energy Conservation Award 2009 (Second Prize) for appreciation of its efforts in energy conservation in Drugs & Pharmaceuticals Sector from Ministry of Power, Government of India
- 2 National Energy Conservation Award 2009 (Commendation Certificate) for appreciation of its efforts in energy conservation in Chemical Sector from Ministry of Power, Government of India. (Company has received this award consecutively fifth year)
- 3 State Energy Conservation Award (Second Position) from the Punjab Energy Development Agency, Chandigarh.

9. Recognitions

Following recognitions were received by the Company during the year under review:

1. Registration certificate of Halal Committee, Jamiat Ulama-E-Maharashtra;
2. A Kosher Certification from Kosher Inspection Services India;
3. A Star Export House recognition from the Ministry of Commerce and Industry, India.

10. Directors

According to Article 146 of the Articles of Association of the Company, one third of the directors for time being liable to retire by rotation, shall retire from the office. Accordingly, Mr Chandra Mohan and Mrs Dimple Gupta, are liable to retire by rotation at the ensuing Annual General Meeting and, being eligible, have offered themselves for re-appointment. Board has recommended the re-election of these directors to the members.

11. Corporate Governance

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

12. Management Discussion and Analysis Report

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

13. Safety, Health and Environment

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

Company has been awarded with the Punjab State Safety Awards in 2008 for the largest reduction in the frequency of accidents in chemical sector from the Punjab Industrial Safety Council and Chief Inspector of Factories, Punjab.

14. No Default

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

15. Fixed Deposits

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

16. Investor Services

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

17. Listing of Shares

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

18. Audit and Risk Management Committee

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

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

19. Statutory Auditors' Report

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

20. Statutory Auditors

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

21. Cost Auditors

The Central Government had directed that audit be carried out of the cost accounts maintained by the Company in respect of chemicals by a qualified cost accountant. Board subject to approval of the Central Government has appointed M/s Ramanath Iyer & Co., Cost Accountants, New Delhi as Cost Auditors, for financial year 2010-11 and application has been submitted to the Central Government for its approval.

22. Industrial Relations

Industrial relations remained cordial and harmonious throughout the year under review.

23. Energy Conservation / Technology Absorption and Foreign Exchange Earnings and Outgo

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

Company has received the "National Energy Conservation Award 2009" for both divisions. Second prize in Drugs & Pharmaceuticals Sector and Commendation Certificate in Chemical Sector from the Ministry of Power, Government of India. The said award is received by Company consecutively for the fifth year.

24. Information on personnel

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

25. Directors' Responsibility Statement

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

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

26. Acknowledgement

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

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

For and on behalf of the Board

Sd/-

(Varinder Gupta)

Place : Ludhiana
Dated : 29 May 2010

Chairman and Managing Director

ANNEXURE I TO THE DIRECTORS' REPORT

Information as per Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31 March 2010.

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

- a) Installation of compabloc heat exchanger and new bubble cap distillation column in ethyl acetate plant distillation section to shift it to multi pressure distillation for creating cascading in process streams to save energy by efficient heat transfer through them.
- b) Installation of distillation columns and dump kettles for on-line removal of impurities and dead catalyst for continuous plant operation and to save down time, shut-down & start up losses.
- c) Replacement of brine based haste alloy coil in quenchers with chilled water based Mild Steel Glass lined reactors.
- d) Installation of 13MW power plant with whole back pressure steam, which will be used in the process for heating.
- e) Installation of high efficient heat exchangers like corrugated tubes, floating head, plate type heat exchangers instead of conventional shell and tube type heat exchangers.
- f) Installation of distillation column for solvent recovery in pharmaceutical section in place of simple stirred evaporation for ensuring continuous operation and energy saving.
- g) Installation of high capacity agitated thin film evaporator in intermediate stage of ibuprofen in place of vacuum distillation for better efficiency.
- h) Installation of low pressure compressors and new reactor to change acetaldehyde to acetic acid oxidation reaction conditions, from high pressure to low pressure by which siphon was created for removing exothermic heat instead of using forced circulation pumps to save power both from circulation pumps and low pressure compressors.
- i) Decreasing the height of condensers to reduce head requirement for cooling water pumps which resulted in the saving of electrical energy.
- j) Installation of spent gas firing system at ketene fired heater in acetic anhydride section to use byproduct spent gas from Iso butyl benzene plant as fuel.

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

- a) Installation of air stripper to recover the unreacted acetaldehyde with air instead of using steam for efficient recovery & saving of thermal energy.
- b) To install new ketene furnace with waste heat recovery systems and design based on high thermal and process efficiency.
- c) Replacement of the existing azeotropic distillation technology used in acetic anhydride plant recovery section to extractive distillation for reducing thermal energy consumption and waste effluent.
- d) Re-engineering of steam and condensate system with separate flow meters for all sections and use of flash steam in plants.
- e) To install the gas holder for collecting all the vents of chemical plants, and then using it as fuel in our furnace, by which it will improve thermal efficiency in form of fuel and also improve the environment conditions around the plant by converting whole plant in closed loop.
- f) To install new crude column in ethyl acetate plant with highly efficient glass structure packing instead of bubble cap column to increase process and thermal efficiency.
- g) To install separators in quenching section of acetic anhydride plant at the temperature of 20 Deg C to separate acetic acid and on further cooling the ketene gas to 15 Deg C instead of 0 Deg C to increase process and thermal efficiency.
- h) Agitated thin film evaporators have to be installed in place of reactors for ester distillation.
- i) Continuous centrifuge to be installed in place of batch type centrifuge.
- j) Variable frequency drives to be installed in power plant at feed pump, forced draft fan and primary air blowers for saving of electrical energy.

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

Consumption per unit of production is lower from that of previous year due to better capacity utilization and measures taken to conserve the energy.

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

Particulars	Unit	Year ended 31 March 2010	Year ended 31 March 2009
A. Power and Fuel Consumption			
1. Electricity			
a) Purchased Units			
Total Amount	KWH in lac	89.78	51.30
Rate/Unit	Rs in lac	474.62	255.73
	Rs/KWH	5.29	4.99
b) Own Generation			
i) Through Diesel Generator			
Units	KWH in lac	4.38	2.94
Units per liter of HSD	KWH	3.51	3.58
Cost/Unit	Rs/KWH	8.14	7.44
ii) Through Turbine Generator			
Units	KWH in lac	293.88	272.35
Units per MT of Steam	KWH	113	114
Cost/Unit	Rs/KWH	3.16	3.26
2. Coal	MT	48,222	45,752
3. Furnace Oil	KL	2,195	1,164
4. Others/Internal Generation		NIL	NIL
B. Consumption per unit of production			
Acetic Acid	KWH/MT	322	320
Ethyl Acetate	KWH/MT	62	65
Acetic Anhydride	KWH/MT	282	293
Ibuprofen	KWH/MT	3,001	3,748



II TECHNOLOGY ABSORPTION

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

FORM-B

Disclosure of particulars with respect to technology absorption

1. Research & Development (R & D):

a) Specific areas in which R & D is carried out by the Company:

- Process parameters for acetophenone, sodium mono chloro acetate and tri chloro acetyl chloride in R&D Lab.
- Trial run of checking corrosion rate of different materials with different chemicals.
- Working on parameters of existing products to improve quality and product norms.
- Implementation of continuous processes instead of conventional processes in ibuprofen plant.
- Study of process parameters for acetic acid, ethyl acetate, anhydride, mono chloro acetic acid and iso butyl benzene plant distillation columns for improvement in product quality and minimize losses using software.
- Find out impurities in new products and develop same in R&D.
- Installing more instruments in R&D lab for better efficiency of analysis.

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

- Preparation of rabeprazole sodium and validation completed.
- Preparation and validation of omiprazole in R&D.
- Preparation of acetonitrile in R&D.
- Reduction in solvents and catalysts in drugs section by providing new processes like distillation in column instead of reactor.

c) Future plan of action:

Synthesis of new products like dexibuprofen, pentaprazole, lansoprazole, pelletization of all PPI in R&D and transfer technology into pilot plant and then in commercial scale.

2. Technology Absorption, Adaptation & Innovation: Nil

3. Foreign Exchange Earnings & Outgo: (Rs in lac)

Used	1,032.77
Earned	6,111.35

For and on behalf of the Board

Place : Ludhiana
Dated : 29 May 2010

Sd/-
(Varinder Gupta)
Chairman and Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT**World Economy**

Global recovery is off to a stronger start than anticipated earlier but is proceeding at different speeds in the various regions. Following deepest global downturn in recent history, economic growth solidified and broadened to advanced economies in the second half of 2009. In 2010, world output is expected to rise by 4 percent. This represents an upward revision of ¾ percentage point from the October 2009 world economic outlook. In most advanced economies, recovery is expected to remain sluggish by past standards, whereas in many emerging and developing economies, activity is expected to be relatively vigorous, largely driven by buoyant internal demand. Policies need to foster a rebalancing of global demand, remaining supportive where recoveries are not yet well sustained. (Source: IMF)

Indian Economy

The effect of global financial crisis on the Indian economy has been palpable in the industry and trade sectors and has also permeated services sector. While some segments, especially export-oriented industries suffered during the second half of 2009, Indian economy has withstood adverse global economic situation and posted a growth rate of 6.7% in 2008-09 and the economy is expected to grow by 7.2% in 2009-10.

World Chemical Industry

Chemicals are used to make a wide variety of consumer goods, and have thousands of applications in agriculture, manufacturing, construction, and service industries. Chemical industry itself consumes 26% of its own output. Major industrial customers of chemicals include rubber and plastic products, textiles, apparel, petroleum refining, pulp and paper, and

primary metals. Chemicals account for nearly a \$3 trillion global enterprise, and chemical companies of the US and European Union are the world's largest producers of chemicals. Chemical industry has grown rapidly for more than fifty years. Fastest growing areas have been in the manufacture of synthetic organic polymers used as plastics, fibres and elastomers. Historically and presently, Chemical industry has been concentrated in three areas of the world: Western Europe, North America and Japan (the "Triad"). European Community remains the largest producer followed by the US and Japan.

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

Indian Industrial Sector and Chemical Industry

Basic chemicals and chemical products account for 14% on overall Index of Industrial production ("IIP"). During April to December 2009, growth in the index of basic chemicals and chemical products at 12.04% was higher than the 8.96% growth in 'manufacturing' and the 8.67% growth in 'overall IIP' when compared with the corresponding period of last year. This is quite an impressive recovery, given the recent meltdown. During the fiscal year 2008-09, the growth in basic chemicals and chemical products was 4.12% as against the 2.75% growth in 'manufacturing' and the 2.76% growth in 'overall IIP'. Trends in IIP during 2003-04 to 2008-09 and up to April to December 2009 along with their growth is given below:

Years	IIP (Overall)	Manufacturing	Basic Chemicals & Chemical Products
2003-04	189.0	196.6	208.4
2004-05	204.08	214.6	238.6
2005-06	221.5	234.2	258.5
2006-07	247.1	263.5	283.4
2007-08	268.0	287.2	313.4
2008-09	275.4	295.1	326.3
2008-09 (April-December 2008)	270.8	290.2	322.2
2009-10 (April-December 2009)	294.2	316.2	361.0
Growth over previous year (%)			
2004-05/03-04	8.36	9.16	14.49
2005-06/04-05	8.15	9.13	8.34
2006-07/05-06	11.56	12.51	9.63
2007-08/06-07	8.46	8.99	10.59
2008-09/07-08	2.76	2.75	4.12
2009-10/08-09 (up to December)	8.64	8.96	12.04

Source: Annual Report 2009-10, Department of Chemicals & Petrochemicals, Government of India

Major chemicals undergo several processing stages to be converted into downstream chemicals. These are used by the agriculture sector, industry and also directly used by consumers. Agricultural and industrial usages of chemicals include the production of auxiliary materials such as adhesives, unprocessed plastics, dyes and fertilizers, while consumer usages include pharmaceuticals, cosmetics, household products and paints. Production of major chemicals during 2003-04 to 2008-09 and up to December 2009 is shown in table below:

Table: Production of major chemicals
(in 000' MT)

Years	Alkali Chemicals	Other inorganic Chemicals	Organic Chemicals	Pesticides & Technology	Dyes	Total major chemicals	Annual Growth in major Chemicals (%)
2003-04	5,070	441	1,474	85	26	7,096	6.79
2004-05	5,272	508	1,506	94	28	7,408	4.40
2005-06	5,475	544	1,545	82	30	7,676	3.62
2006-07	5,269	602	1,545	85	33	7,534	-1.85
2007-08	5,443	609	1,546	83	44	7,725	2.61
2008-09	5,430	504	1,212	74	31	7,251	-5.24
2009-10 (Apr- Dec*)	4,133	382	920	58	30	5,523	-0.88
CAGR (%) 08-09/03-04	1.43	3.07	-3.18	0.00		0.64	

Source: Annual Report 2009-10, Department of Chemicals & Petrochemicals, Government of India

* Estimated

CAGR: Compound Annual Growth Rate.

Petrochemical industry comprises mainly of synthetic fibres, polymers, elastomers, synthetic detergents intermediates and performance plastics. The main sources of feedstock and fuel for petrochemicals are natural gas and naphtha. Petrochemical products permeate the entire spectrum of daily use items and cover almost every sphere of life, ranging from clothing, housing, construction, furniture, automobiles, household items, toys, agriculture, horticulture, irrigation and packaging to medical appliances. There are three naphtha-based and three gas-based cracker complexes in India with a combined ethylene annual capacity of 2.9 million MT. In addition, there are four aromatic complexes with a combined xylenes capacity of 2.9 million MT. Actual production of major petrochemicals during the year 2003-04 to 2008-09 and up to December 2009 for the year 2009-10 is given below:

Table : Production of major petrochemicals
(in 000' MT)

Years	Synthetic fibers	Polymers	Elastomers	Synthetic detergent Intermediate	Performance plastics	Total major petro-chemicals	Annual Growth in major Petro-Chemicals (%)
2003-04	1,868	4,499	87	454	99	7,007	6.91
2004-05	1,875	4,776	97	488	113	7,349	4.88
2005-06	1,906	4,768	110	555	127	7,467	1.61
2006-07	2,250	5,183	101	556	133	8,223	10.14
2007-08	2,524	5,304	105	585	157	8,675	5.48
2008-09	2,343	5,060	96	552	141	8,192	-5.56
2009-10 (Apr- Dec*)	1,948	3,549	79	461	129	6,166	0.76
CARG (%) 08-09/03-04	4.64	2.38	1.99	3.99	7.33	3.18	

Source: Annual Report 2009-10, Department of Chemicals & Petrochemicals, Government of India

* Estimated

CAGR: Compound Annual Growth Rate.

Imports and Exports in the Chemical Industry

Share of chemicals and petrochemicals in total national exports diminished from 11.6% to 9.3% during 2003-04 to 2008-09. Likewise, imports of this group in total national imports declined from 9.2% to 7.2% during 2003-04 to 2008-09.

Exports and imports—Chemicals and Petrochemicals
(Rs billion)

Items	2006-07	2007-08	2008-09
Exports:			
(a) Chemicals	39,351	43,482	537.38
(b) Petrochemicals	21,801	22,199	242.26
Sub-Total (a+b)	61,152	65,681	779.64
Imports:			
(a) Chemicals	47,914	54,422	748.57
(b) Petrochemicals	16,339	18,677	240.20
Sub-Total (a+b)	64,253	73,099	988.77

Source: Annual Report 2009-10, Department of Chemicals & Petrochemicals, Government of India

Foreign Direct Investment in Chemical Industry

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

The FDI in the chemicals sector (other than fertilizers) was of the order of Rs 34,270 million during the year 2008-09 as against Rs 9,300 million during 2006-07 and Rs 9,200 million during 2007-08. In US dollar terms, it was \$749 million during 2008-09 as against \$205 million in 2009-07 and \$229 million in 2007-08.

Year	US\$ Million
2006-07	205
2007-08	229
2008-09	749
2009-10 (Apr- Nov)	209

Source: Annual Report 2009-10, Department of Chemicals & Petrochemicals, Government of India

Pharmaceutical Industry

Indian pharmaceutical industry has grown from a mere Rs 15 billion turnover in 1980 to approximately Rs 1,006 billion in the Fiscal year 2009-2010. The country now ranks 3rd in the world in terms of volume of production (10% of global share) and 14th largest by value (1.5%). One reason for lower value share is lower cost of drugs in India ranging from 5% to 50% less as compared to developed countries. Indian pharma industry growth has been fuelled by exports and its products are exported to more than 200 countries with a sizeable share in advanced regulated markets of US and Western Europe. Total employment is about 3,40,000 in the sector and an estimated 4,00,000 doctors and 3,00,000 chemists are serving an over one billion customers market.

Imports and Exports in the Pharmaceutical Industry

Pharmaceutical sector is one of the major export revenue earners of the Indian economy. Pharmaceutical exports have grown in value from Rs 62.56 billion in 1998-99 to Rs 384.33 billion in 2008-09. Exports of pharmaceuticals consistently outstripped the value of corresponding imports during the period 1996-97 up to 2007-08. Exports registered a growth rate of 25% in 2008-09 over 2007-08. The sector attracted FDI amounting to Rs 21.41 billion during the period from April 2007 to April 2009, including Rs 43.42 million in the first month of 2010.

(Rs in billion)

Year	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Export	152.13	178.57	221.16	249.42	307.59	384.33

Source: Annual Report 2009-10, Department of Chemicals & Petrochemicals, Government of India

India currently exports drug intermediates, APIs, Finished Dosage Formulations ("FDFs"), bio-pharmaceuticals and clinical services to various parts of the world. The top 5 destinations for Indian pharmaceutical products during the year 2007-08 were the USA, Germany, Russia, the UK and

China. In that year, India exported US\$1.38 billion of drugs and pharmaceuticals to Asia (approximately 19% of India's total pharmaceutical exports) and Association of South East Asian Nations ("ASEAN") countries accounted for US\$497.73 million (approximately 36%) of such exports. Pharmaceutical market in Thailand is fastest growing in the Asia-Pacific region. It has a strong pharmaceutical industry producing mostly generics. It depends on imports for patented drugs. The market is expected to be worth US\$ 1.82 billion per annum by 2012.

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

2. Opportunities and Threats

Opportunities

1. Self dependence of major raw material for pharma division
2. Large domestic market, with good potential for growth.
3. Technically qualified and trained manpower.
4. Backward & Forward Integration of Products.

Threats

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

3. Business Segment Performance

Company mainly deals in two segments i.e. chemicals and pharmaceuticals. While under chemical division, Company manufactures bulk chemicals i.e. acetic acid and specialty chemicals i.e. ethyl acetate & acetic anhydride and under pharmaceuticals division, it manufactures active pharmaceutical ingredient i.e. ibuprofen. Company has also started the production of acetyl chloride, mono chloro acetic acid and iso butyl benzene. The segment wise performance is given below:

Acetic Acid

Production of acetic acid has decreased to 33,538 MT from 36,608 MT during the previous year showing an decrease of 8.39% and its sale has decreased to 5,252 MT from 7,773 MT during the previous year.

Ethyl Acetate

Production of ethyl acetate has increased to 30,864 MT from 25,808 MT showing an increase of 19.59% and its sale increased to 30,947 MT from 25,629 MT during the previous year.

Acetic Anhydride

Production of acetic anhydride has increased to 14,962 MT from 10,730 MT during the previous year showing an increase



of 39.44% and its sale has increased to 13,397 MT from 10,678 MT during the previous year.

Ibuprofen

Production of the ibuprofen has increased to 2,854 MT from 1,783 MT showing an increase of 60.07% and its sale has increased to 2,730 MT from 1,940 MT during the previous year.

Acetyl Chloride

Company has started production of acetyl chloride. During the year, production of acetyl chloride is 709 MT and its sale is 23 MT.

Mono Chloro Acetic Acid

Company has also started production of the mono chloro acetic acid. Production of mono chloro acetic acid is 1,245 MT during the year.

Iso Butyl Benzene

Production of the iso butyl benzene is 1,925 MT and its sale is 758 MT during the current year under review and Company has also started this product during the year under review.

4. Future prospectus

Future of Indian chemical industry is bright, considering the central role it plays in the growth of manufacturing and agriculture sector of the country. Current growth pattern of the country, driven by agriculture, industry and services, ensures a sustained demand for chemicals in future. Nevertheless, the industry also faces considerable challenges in a changing environment, such as increased globalisation of markets, societal demand for improved environmental performance and need for increased profitability and productivity.

India's global competitiveness in chemical industry has grown and will continue to grow in the medium term for the following reasons:

- High demand growth in the domestic and global market.
- Localisation of end-user industries. Some of the end user industries are also growing rapidly and are emerging as outsourcing hubs for the global market, like textiles, pharmaceuticals.
- Low production costs in terms of labour, resources, etc.

These factors have led to increasing investments, R&D spending as well as building up of a skill base. Going forward, technology may play a significant role in empowering the chemical industry to meet future challenges. Chemical industry in India which generates almost 13% of country's total export is growing annually at a growth rate anywhere between 10% and 12%. Over the last decade, Indian chemical industry has evolved from being a basic chemical producer to becoming an innovative industry. With investments in R&D, industry is registering significant growth in the knowledge sector comprising of specialty chemicals, fine chemicals and pharmaceuticals. Indian chemical industry is expected to grow to US\$100 billion by 2015.

However, dumping of chemicals and increased inflow of chemical products (mostly basic) under a reduced customs regime will hinder the growth in certain sub-segments.

India has several opportunities opening in the global markets. An estimated US\$103 billion of generic products are at risk of

loosing patents by 2012. Even at a conservative estimate there is a huge opportunity for India. The global market for contract manufacturing of prescription drugs is estimated to increase from a value of \$26.2 billion to \$43.9 billion. India could potentially capture 20 percent to 40 percent of the outsourced market share for active pharmaceutical ingredients, finished dosage formulations and intermediates. (Source: Annual Report 2009-10, Department of Chemicals & Petrochemicals, Government of India)

5. Risk Management

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

A description of main risks to which Company is exposed as well as approach taken by the management to control and mitigate those risks is shown below:

Competition risk

Company may face competition from indigenous as well as foreign suppliers. Over the years Company has de-bottlenecked and expanded installed capacities of its chemicals and pharmaceuticals divisions. Company has further increased the installed capacities of its chemicals & pharmaceuticals divisions with appropriate investment and set up the manufacturing facilities of other value added products i.e acetyl chloride, mono chloro-acetic acid and iso butyl benzene, towards backward and forward integration to strengthen its position. Further, Company is diversifying other value added pharmaceutical products such as Proton Pumps Inhibitors (PPI's), anti ulcer drugs.

Geographic risk

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

Technological risk

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

Environmental risk

Non compliance with environmental regulatory issue might effect operations. Company conducts periodic checks to compare effluents and stack emissions and comply all applicable rules and regulations to protect the environment. Moreover, Company obtained ISO 14001:2004 certification.

Credit risk

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

Liquidity risk

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

Foreign exchange risk

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

Personnel risk

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

Insurance

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

6. Internal Control Systems

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

7. Financial Performance**Overview**

There was improvement in the overall performance and profitability of the Company in comparison to previous year's performance. Net sales and other income of the Company were to the tune of Rs 35,041.67 lac against Rs 30,519.35 lac achieved during the previous year. Profit before tax has increased by 32.04% to Rs 1,465.39 lac during the year under review against Rs 1,109.77 lac during the previous year. Profit after tax has decreased by 21.09% to Rs 1,001.59 lac during the year under review against Rs 1,269.42 lac during the previous year due to higher provision of taxation of Rs 463.80 lac during the year under review in compared to deferred tax of Rs (159.65) lac during the previous year.

Share Capital

Authorized share capital of the Company is Rs 3,500 lac divided into 3,00,00,000 equity shares of Rs 10 each and 50,00,000 Preference shares of Rs 10 each.

During the year, paid up equity share capital of the Company has increased from Rs 18,15,00,000 to Rs 22,71,66,640 due to allotment of 12,00,000 equity shares of Rs 10 each at a premium of Rs 65 per share on conversion of equivalent number of equity warrants; allotment of 18,66,664 equity

shares of Rs 10 each at a premium of Rs 65 per share on conversion of 13,99,998 fully convertible debentures on 21 April 2009 and allotment of 15,00,000 equity shares of Rs 10 each at a premium of Rs 46 per share to promoters on preferential basis on 16 January 2010.

Reserves and Surplus

The addition to share premium account of Rs 2,683.33 lac during the year is due to premium received on issue of 30,66,664 equity shares of Rs 10 at a premium of Rs 65 per share and 15,00,000 equity shares of Rs 10 at a premium of Rs 46 per share.

Loan Funds

Secured loans at the end of financial year 2010 were Rs 25,156.40 lac, against Rs 21,394.41 lac at the end of previous year. Unsecured loans at the end of financial year 2010 stood at Rs 1,755.68 lac against Rs 1,908.08 lac at the end of previous year.

Deferred Tax Liability

Company had a deferred tax liability (net of deferred tax assets) of Rs 719.18 lac as on 31 March 2010 as against Rs 255.38 lac as the end of previous year.

Fixed Assets

During the year, Company added Rs 25,960.90 lac to its gross block of assets. Gross block of fixed assets as on 31 March 2010 stood at Rs 41,876.20 lac as against Rs 15,915.30 lac as on 31 March 2009. The increase in gross block was due to major additions in plant and machinery of Rs 23,710.42 lac, in freehold land of Rs 143.74 lac and in buildings of Rs 2,108.29 lac during the year. Capital work in progress stood at Rs 58.93 lac as on 31 March 2010 against Rs 18,746.68 lac as at the end of previous year.

Current Assets, Loans and Advances**a) Inventories**

Company had inventories of Rs 6,686.54 lac as on 31 March 2010 against Rs 5,233.55 lac as on 31 March 2009.

b) Sundry Debtors

Sundry debtors amounted to Rs 3,010.69 lac as on 31 March 2010 as compared with Rs 2,523.78 lac as on 31 March 2009.

c) Cash and Bank balance

As on 31 March 2010, Company had cash and bank balances of Rs 660.22 lac as compared to Rs 669.51 lac as on 31 March 2009.

d) Loans and advances

Loans and advances as on 31 March 2010 were Rs 3,124.78 lac as compared to Rs 2,490.24 lac as on 31 March 2009.

Current Liabilities

Current liabilities went up to Rs 8,247.54 lac as on 31 March 2010 as compared to Rs 5,786.65 lac as on 31 March 2009.

Provisions made towards taxes aggregated to Rs 107.02 lac during the year as against Rs 49.09 lac during the previous year. Provision of Rs 19.95 lac was made towards employee benefits as per Indian GAAP-15 as against Rs 25.77 lac in the previous year.



Net Sales

Net sales of the Company increased by 15.76% to Rs 34,942.03 lac during the year ended 31 March 2010 as against Rs 30,185.85 lac during the previous year.

Exports

During the year under review, export turnover of the Company as a percentage to net sales, has increased to 17.49 % from 12.22 % during the year.

Other Income

Other income for the year ended 31 March 2010 was Rs 99.64 lac as against Rs 333.51 lac in the previous year. Interest received during the year was Rs 84.65 lac as against Rs 64.82 lac during the previous year.

Raw Material Consumed

During the year, the percentage of raw material consumption to net sales was 70.87% as against 73.87% for the previous year, representing a decrease of 3%.

Manufacturing Expenses

During the year, the percentage of manufacturing expenses to net sales decreased by 0.73% from 12.75% to 12.02%.

Personnel Expenses

Percentage of personnel expenses to net sales during the year was 3.22% against 2.70% for the previous year.

Administrative Expenses

During the year, the percentage of administrative expenses to net sales decreased by 0.09% from 1.20% to 1.11%.

Selling and Distribution Expenses

Selling and distribution expenses stood at 4.03% of net sales during the year under review against 3.20% in the previous year.

Financial Expenses

During the year, the percentage of financial expenses to net sales was 4.25% against 4.94% in the previous year, showing decrease of 0.69%.

Depreciation

Depreciation charged to the profit and loss account marginally increased during the year to Rs 1,001.12 lac as compared to Rs 1,000.17 lac in the previous year.

Profit after tax

During the year, profit after tax was Rs 1,001.60 lac against Rs 1,269.43 lac during the previous year.

Company has provided provision for current tax, deferred tax and fringe benefit tax computed in accordance with provision of Income Tax Act, 1961. Net provision of tax for the year under review was Rs 463.80 lac in comparison to Rs (159.65) lac during the previous year.

Cash flows

Company's net cash flow from operating activities for the year ended 31 March 2010 increased by 101.12% to Rs 3,142.43 lac against Rs 1,562.47 lac during the previous year.

Company's net cash used in investing activities amounted to Rs 7,208.50 lac during the year ended 31 March 2010 against Rs 16,700.36 lac during the previous year.

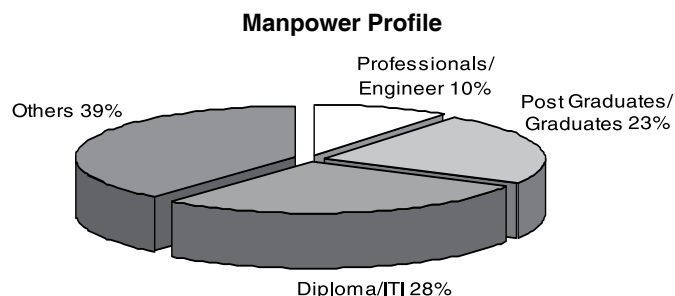
During the year, net cash flow from financing activities increased to Rs 4,056.78 lac as against Rs 15,434.01 lac during the previous year.

8. Contribution to National Exchequer

Company has contributed a sum of Rs 2,276.65 lac as compared to Rs 3,227.88 lac during the previous year to National Exchequer by way of central excise duty in addition to contribution through other direct and indirect taxes.

9. Human Assets

Company has a team of about 809 strong members as on 31 March 2010 consisting of 10% Professionals /Engineers, 23% Post Graduates/ Graduates, 28% Diploma/ITI and 39% others.



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

10. Cautionary Statement

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

For and on behalf of the Board

Place : Ludhiana
Dated : 29 May 2010

Sd/-
(Varinder Gupta)
Chairman and Managing Director

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

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

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

The Board comprises two executive, one non-executive and six independent directors as on 31 March 2010. Company is having majority of independent directors on the Board. Detail of composition of the Board, number of directorship held, chairmanship & membership of the committees and shareholding in Company are as given below:

Name of the Director	Category	No. of Directorship held [#]	No. of Committees [@]		Shareholding in Company
			Chairmanships	Memberships	
Mr Varinder Gupta (Chairman & Managing Director)	Executive	7	—	—	11,58,730
Dr M A Zahir	Independent	12	2	5	300
Mr Chandra Mohan	Independent	8	—	4	—
Dr (Mrs) H K Bal	Independent	8	3	4	—
Mr Parminder Singh Cheema (Nominee of IDBI)	Independent	1	—	1	—
Mr Yogesh Goel	Independent	3	—	1	—
Mr Ravi Pratap Singh	Independent	2	—	—	—
Mrs Dimple Gupta	Non-executive	5	—	1	—
Mr R K Thukral (Executive Director)	Executive	4	1	—	—

[#] Including the Company and does not include unlimited company, private limited company, foreign company and company registered under Section 25 of Companies Act, 1956

[@] Board Committees for this purpose includes Audit Committee and Shareholders'/Investors' Grievance Committee only (including Board Committees of the Company)

Notes:

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

b) Change in directorship during the year:

During the financial year 2009-10, there was no change in directorship of the Company.

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

During the financial year 2009-10, Board of Directors met 6 (six) times on 22 May 2009, 30 June 2009, 31 July 2009, 31 October 2009, 10 December 2009 and 30 January 2010. There was no gap of more than four months between any two consecutive meetings. Attendance of the directors at Board Meetings and Annual General Meeting (AGM) of previous year held on 12 September 2009 is as given below:

Name of the Director	Board Meetings Attended	Attendance at last AGM
Mr Varinder Gupta	6	Yes
Dr M A Zahir	5	Yes
Mr Chandra Mohan	2	No
Dr (Mrs) H K Bal	6	No
Mr Parminder Singh Cheema	2	No
Mr Yogesh Goel	4	No
Mr Ravi Pratap Singh	1	No
Mrs Dimple Gupta	6	No
Mr R K Thukral	5	No

d) Meetings Procedure:

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

e) Remuneration of Directors:

- i) Executive Directors: Company pays remuneration to its Managing Director and Executive Director as approved by Remuneration Committee, Board of Directors and Members of the Company. Detail of remuneration paid to Managing Director and Executive Director during the financial year 2009-2010 is given below:

(Amount in Rs)

Name	Position	Salary	Commission	Contribution to Provident & other Funds	Other perquisites & allowances	Total
Mr Varinder Gupta	Managing Director	9,60,000	—	1,15,200	12,33,547	23,08,747
Mr R K Thukral	Executive Director	7,15,200	—	85,824	9,15,456	17,16,480

- ii) Non-Executive Directors: Non-Executive Directors have not paid any remuneration except sitting fees @ Rs 7,500/- for attending each Board Meeting and Rs 5,000/- for attending each Committee Meeting. Sitting fee has been paid to the nominating institution for attending the meeting by its nominee. Details of sitting fees paid during the year 2009-2010 is as under:

(Amount in Rs)

Name of Directors	Fee paid for Board Meetings	Fee paid for Committee* Meetings	Total Fee Paid
Mr M A Zahir	37,500	55,000	92,500
Mr Chandra Mohan	15,000	—	15,000
Dr (Mrs) H K Bal	45,000	65,000	1,10,000
Mr Parminder Singh Cheema (IDBI Nominee)	15,000	10,000	25,000
Mr Yogesh Goel	30,000	—	30,000
Mr Ravi Pratap Singh	7,500	—	7,500
Mrs Dimple Gupta	45,000	5,000	50,000
TOTAL	1,95,000	1,35,000	3,30,000

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

During the year 2009-2010, Company did not advance any loans to any of its directors except advance for travel or other purposes to discharge official duties in the normal course of business. There is no provision of any severance fee payable to any director on cessation of directorship of the Company.

f) Profile of Directors:

Brief profile of the Directors of the Company is furnished hereunder:

1. Mr Varinder Gupta

Mr Varinder Gupta, Promoter Director, aged 48 years is presently Chairman and Managing Director of the Company. He is an industrialist with more than 26 years experience in the chemical and fertilizer industry. He has also been associated as Joint Managing Director with Varinder Agro Chemicals Limited, now merged with Abhishek Industries Limited from 1989 to 1991. He holds 11,58,730 equity shares of the Company.

2. Dr M A Zahir

Dr M A Zahir, aged 67 years, has been a Director of the Company since 1998. He has more than 43 years of experience in business management education and has been involved in imparting training to executives at senior levels of different institutions in the public as well as private sector. He has remained Dean, College of Basic Science and Humanities, Punjab Agricultural University, Ludhiana. He holds a Masters' Degree in Commerce and a Ph.D. Presently, he is Chairman of Syntec Business School (SBS), Ludhiana. He holds 300 equity shares of the Company.

3. Mr Chandra Mohan

Mr Chandra Mohan, aged 77 years, has been a Director of the Company since 2005. He has more than five decades of experience in Indian industry. He was Vice Chairman and Managing Director of Punjab Tractors Limited for 29 years, the longest serving Chief Executive Officer in the Indian corporate world. He was instrumental in designing and developing the Indian tractor named Swaraj with completely indigenous technology that not only competed successfully with foreign technology but exceeded it. He has received numerous awards including Padmashree in 1985 for his contribution to both industry and society. Since Punjab Tractors Limited, he has been involved in further developing Indian engineering capabilities. He holds a BA (Hons) and BSc in Mechanical Engineering.

4. Dr (Mrs) H K Bal

Dr (Mrs) H K Bal, aged 71 years, has been a Director of the Company since 2002. She has served in many colleges and was head of the Department of Business Management of Punjab Agriculture University, Ludhiana. She holds a Doctorate in Statistics and holds a Diploma in Management.

5. Mr Parminder Singh Cheema

Mr Parminder Singh Cheema, aged 35 years, is a nominee Director of IDBI Bank Limited on the Board of the Company. He is the Branch Head-Mid Corporate Branch at Ludhiana. He is a Commerce graduate from Panjab University and MBA from Newport University, California.

6. Mr Yogesh Goel

Mr Yogesh Goel, aged 55 years, has been a Director of the Company since 2008. He is currently working with the Punjab State Industrial Development Corporation Limited (PSIDC) and has 32 years of experience in the identification, promotion and implementation of chemical and other units in joint / assisted sectors. He has also served as Chairman of Punjab Pollution Control Board. He has a graduate degree in chemical engineering from Panjab University, Chandigarh.

7. Mr Ravi Pratap Singh

Mr Ravi Pratap Singh, aged 52 years, has been a Director of the Company since 2008. He is a Partner of Sycamore Ventures, where he focuses on India related investments. Over the course of his 26 year career, Mr. Singh has structured and led numerous public and private financings, mergers and acquisitions and global investments. He has a BS in Mechanical Engineering from University of Delhi and an MBA from Columbia University. Currently, he is Managing Director of indiaSTAR (Mauritius) Limited.

8. Mrs Dimple Gupta

Mrs Dimple Gupta, aged 43 years, has been a Director of the Company since 2006. She is an industrialist and has extensive experience in this field.

9. Mr R K Thukral

Mr R K Thukral, aged 59 years, has been an Executive Director of the Company since 2008. He has more than 36 years experience in the chemical industry. He was President (Works) at Varinder Agro Chemicals Limited, which has now merged with Abhishek Industries Limited. He is a graduate in Science.

g) Detail of other Directorship:

Name of the Director	Name of the company
Mr Varinder Gupta	1. G Drugs and Pharmaceuticals Limited 2. Mayadevi Polycot Limited 3. Trident Towel Limited 4. IOL Lifesciences Limited 5. NM Merchantiles Limited 6. NCG Enterprises Limited
Mr M A Zahir	1. Hero Cycles Limited 2. Highway Industries Limited 3. Ralson (India) Limited 4. Sohrab Spinning Mills Limited 5. Rockman Industries Limited 6. Hero Honda Finlease Limited 7. Sunshine Corporation Limited 8. Lotus Integrated Texpark Limited 9. Majestic Autos Limited 10. Asian Trading Corporations Limited 11. Praneel Corporate Services Limited
Mr Chandra Mohan	1. Rico Auto Industries Limited 2. Engineering Innovations Limited 3. Sandhar Technologies Limited 4. Winsome Yarns Limited 5. DCM Engineering Limited 6. Kamla Dials & Devices Limited 7. Winsome Textiles Industries Limited
Dr (Mrs) H K Bal	1. Nahar Spinning Mills Limited 2. Nahar Poly Films Limited 3. Nahar Industrial Enterprises Limited 4. Shreyans Industries Limited 5. Oswal Woolen Mills Limited 6. Sportking India Limited 7. Nahar Capital and Financial Services Limited
Mr Parminder Singh Cheema	NIL
Mr Yogesh Goel	1. Nahar Industrial Infrastructure Corporation Limited 2. Healthcaps India Limited
Mr Ravi Pratap Singh	1. Surana Power Limited
Mrs Dimple Gupta	1. Mayadevi Polycot Limited 2. IOL Lifesciences Limited 3. NM Merchantiles Limited 4. NCG Enterprises Limited
Mr R K Thukral	1. G Drugs and Pharmaceuticals Limited 2. Sunshine Corporation Limited 3. Abhishek Corporate Services Limited

h) Detail of Chairmanship and Membership of the Committees:

Director	Audit Committee	Shareholders' Grievances Committee
Mr M A Zahir	Chairman - Rockman Industries Limited - IOL Chemicals and Pharmaceuticals Limited Member - Hero Cycles Limited - Lotus Integrated Texpark Limited - Praneel Corporate Services Limited	Member - Praneel Corporate Services Limited - IOL Chemicals and Pharmaceuticals Limited
Mr Chandra Mohan	Member - Winsome Yarns Limited - DCM Engineering Limited - Winsome Textiles Industries Limited	Member - Winsome Textiles Industries Limited
Dr (Mrs) H K Bal	Member - Shreyans Industries Limited - Sportking India Limited - IOL Chemicals and Pharmaceuticals Limited - Nahar Industrial Enterprises Limited	Chairman - Nahar Spinning Mills Limited - Nahar Poly Films Limited - IOL Chemicals and Pharmaceuticals Limited
Mr Parminder Singh Cheema	Member - IOL Chemicals and Pharmaceuticals Limited	NIL
Mr Yogesh Goel	Member - Healthcaps India Limited	NIL
Mr Ravi Pratap Singh	NIL	NIL
Mrs Dimple Gupta	NIL	Member - IOL Chemicals and Pharmaceuticals Limited
Mr R K Thukral	Chairman - G Drugs and Pharmaceuticals Limited	NIL

2. Committees of the Board:
a) Audit and Risk Management Committee

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

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

During the year 2009-2010, Audit and Risk Management Committee met five times on 22 May 2009, 30 June 2009, 31 July 2009, 31 October 2009 and 30 January 2010. There was no gap of more than four months between any two consecutive meetings. Attendance record of Audit and Risk Management Committee members is give below:

Name of the Members	Category	No. of Meetings	
		Held	Attended
Dr M A Zahir (Chairman)	Independent Director	5	4
Dr (Mrs) H K Bal	Independent Director	5	5
Mr Parminder Singh Cheema	Independent Director	5	2

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

b) Remuneration Committee

Remuneration Committee consists of three directors, all being independent Directors viz. Dr M A Zahir (Chairman), Dr (Mrs) H K Bal and Mr Parminder Singh Cheema. Terms of reference of Remuneration Committee include determination of remuneration packages of the executive directors including remuneration policy, pension rights etc. No need was arisen during the year to hold meeting.

c) Shareholders'/Investors' Grievance Committee

Shareholders'/Investors' Grievance Committee consists of three Directors viz. Dr (Mrs) H K Bal (Chairman), Dr M A Zahir and Mrs Dimple Gupta to specifically look into the redressal of Shareholders' / Investors' complaints. During the year, one meeting was held on 30 June 2009.

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

Investors' Grievance Committee Report for the year ended 31 March 2010

The Committee expresses satisfaction with Company's performance in dealing with investors' grievances and its share transfer system. During the year, all complaints received by the Company has been resolved and no complaint/ query is pending as on 31 March 2010.

Place : Ludhiana
Dated : 29 May 2010

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

d) Other Committees

Besides the above three Committees, the Board of Directors has delegated banking and finance matters to Banking and Finance Committee; allotment of warrants/shares/debentures/other securities to Allotment Committee and Transfer of securities to Shares Transfer Committees. Detail of meetings of abovesaid committees held during the financial year 2009-10 is as under:

Name of Committees	No of Meetings held	Date of Meeting
Banking and Finance Committee	4	6 May 2009, 6 June 2009, 25 August 2009, 1 September 2009
Allotment Committee	2	21 April 2009, 16 January 2010
Share Transfer Committee	1	17 April 2009

3. Management Discussion and Analysis Report:

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

4. Corporate Ethics:

Company adheres to high standards of business ethics, compliance with statutory and legal requirements and commitment to transparency in business dealings. Following codes as detailed below has been adopted by the Company:

a) Combined Code of Corporate Governance and Conduct

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

b) Code of Conduct for prevention of Insider Trading

As per SEBI (Prohibition of Insider Trading) Regulations, 1992, Code for Prevention of Insider Trading has been formulated and adopted by Board of Directors of the Company. The code lay down guidelines and procedures to be followed and disclosures to be made by designated employees including directors whilst dealing in the shares of the Company.

c) Code of Corporate Disclosures practices for prevention of Insider Trading

As per SEBI (Prohibition of Insider Trading) Regulations, 1992, Code for Corporate Disclosures practices for prevention of Insider Trading has been formulated and adopted by Board of Directors of the Company. Purpose of this code is to ensure timely and adequate disclosure of price sensitive information.

5. Subsidiary Company:

Company does not have any subsidiary company.

6. Shareholders:**a) Disclosures regarding appointment or re-appointment of Directors**

According to Article 146 of the Articles of Association of the Company, one third of directors for the time being liable to retire by rotation, shall retire from the office. Accordingly Mr Chandra Mohan and Mrs Dimple Gupta, are liable to retire by rotation

in the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The Board has recommended re-election of these directors to the members.

b) Means of Communication

Timely disclosure of consistent, comparable, relevant and reliable information on corporate financial performance is at the core of good governance. Towards this end:

a) Quarterly/Half Yearly/Annual Results: Quarterly, half yearly and annual results of the Company are sent to the Stock Exchanges immediately after they are approved by the Board.

b) Publication of Quarterly/Half Yearly/Annual Results: Quarterly, half yearly and annual results of the Company are published in the prescribed proforma within 48 hours of the conclusion of the meeting of Board atleast in one english newspaper circulating in the whole or substantially the whole of India and in one vernacular newspaper of the state of Punjab where the Registered Office of the Company is situated.

Quarterly financial results during the financial year 2009-10 were published as detailed below:

Quarter ended	Date of Board Meeting	Date of Publication	Name of the Newspapers
30 June 2009	31 July 2009	1 August 2009	Financial Express, Desh Sewak & Economic Times
30 September 2009	31 October 2009	2 November 2009	Economic Times, Desh Sewak
31 December 2009	30 January 2010	1 February 2010 & 2 February 2010	Economic Times, Desh Sewak & Business Standard

c) Press Releases: To provide information to Investors, press releases are sent to the Stock Exchange as well as displayed on Company's website before it is released to the Media.

d) Website: Company's website www.iolcp.com contains a separate dedicated section "Investors" where information for shareholders is available. Quarterly/half yearly /annual results are simultaneously posted on the website. Latest official press releases are also available on the website.

e) E-mail: Quarterly/half yearly /annual results are also send to the members & investors on their **e-mail Ids** registered with the Company.

f) Annual Report: Annual Report containing, inter alia, Audited Annual Accounts, Director's Report, Auditor's Report and other important information is circulated to members and others entitled thereto. Management Discussion and Analysis Report forms part of the Annual Report. The Annual Report is also available on Company's website www.iolcp.com.

g) Chairman's Communique: Printed copy of Chairman's Speech is distributed to all shareholders at the Annual General Meeting.

Members/ investors are requested to register their **e-mail Id** with the Company through registering on Company's website www.iolcp.com or sending the same by e-mail on investor@iolcp.com for getting latest information electronically.

c) Compliance Officer

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

d) Annual General Meetings

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

Meetings	Date	Day	Time	No. of Special Resolutions
22 nd AGM	12 September 2009	Saturday	10:00 A.M	NIL
21 st AGM	20 September 2008	Saturday	10:00 A.M	1. Alteration in the Articles of Association. 2. Issue of shares to QIBs. 3. Raising of sources through issue of securities in the international market. 4. Increase in the sitting fees of Directors.
20 th AGM	22 September 2007	Saturday	10:00 A.M	NIL

e) Postal Ballot

During the year ended 31 March 2010, Company has not passed any resolution through postal ballot.

7. Disclosures:

a) Related Party Transactions

There have been no materially significant related party transactions, pecuniary transactions or relationships between the Company and its directors or promoters that may have potential conflict with the interests of the Company at large except details of transactions annexed to the Balance Sheet. All details relating to financial and commercial transactions,

where directors may have a potential interest are provided to the Board and interested directors neither participate in the discussion nor do they vote on such matters.

b) Compliance made by the Company

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

c) Whistle Blower Policy

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

d) Compliance of Clause 49 pertaining to Mandatory Requirements

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

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

8. General Shareholders Information

Following information would be useful to the members:

- Annual General Meeting of the Company will be held on **Saturday, 14 August 2010 at 10.00 AM** at the Registered Office of the Company at Trident Complex, Raikot Road, Barnala, Punjab.
- Financial Calendar: Last financial year of the Company was of twelve months from 1 April 2009 to 31 March 2010. Tentative financial calendar of the Company for the year 2010-11 shall be as follow:

Board meetings to take on record	Schedule
Financial Results for the quarter ending 30 June 2010	During July 2010
Financial Results for the quarter/half year ending 30 September 2010	During October 2010
Financial Results for the quarter ending 31 December 2010	During January 2011
Financial Results for the quarter/year ending 31 March 2011	During June 2011

c) Date of Book Closure

Tuesday, 10 August 2010 to Saturday, 14 August 2010 (both days inclusive).

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

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

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

e) Distribution of Shareholding

The Distribution Schedule of the Company as on 31 March 2010 is as follow:

Range No. of shares	Shareholders		Shares	
	Number	%age of total holders	Number	%age of total capital
Upto 5000	9,991	98.95	25,52,216	11.24
5001 to 10000	44	0.44	3,18,737	1.40
10001 to 20000	31	0.31	4,75,452	2.09
20001 to 30000	10	0.10	2,47,822	1.09
30001 to 40000	5	0.05	1,77,194	0.78
40001 to 50000	1	0.01	50,000	0.22
50001 to 100000	3	0.03	1,80,344	0.80
100001 and Above	11	0.11	1,87,14,899	82.38
Total	10,096	100.00	2,27,16,664	100.00

f) Shareholding Pattern

The shareholding pattern of the Company as on 31 March 2010 is as follow:

Category	As on 31 March 2010				As on 31 March 2009			
	Share-holders	Shares	% age	Shares pledged	Share-holders	Shares	% age	Shares pledged
Promoter								
Indians	4	1,24,40,053	54.76	4,00,000	2	97,37,953	53.65	4,00,000
Foreign	—	—	—	—	—	—	—	—
Sub-total	4	1,24,40,053	54.76	4,00,000	2	97,37,953	53.65	4,00,000
Non-Promoters								
Financial Institutions/ Mutual Funds	4	10,700	0.05	—	4	10,800	0.05	—
Bodies Corporate	298	39,82,986	17.53	—	144	34,62,634	19.08	—
Individuals	9,745	29,51,629	12.99	—	7,350	24,33,512	13.41	—
NRI	43	1,44,632	0.64	—	11	75,101	0.42	—
Foreign Companies	2	31,86,664	14.03	—	1	24,30,000	13.39	—
Sub-total	10,092	1,02,76,611	45.24	—	7,510	84,12,047	46.35	—
Total	10,096	2,27,16,664	100.00	4,00,000	7,512	1,81,50,000	100.00	4,00,000

g) Investors' complaints/ queries received and resolved

Detail of investors' complaints/queries received and resolved during the year 2009-10 are as under:

Sr. No	Nature of complaints/ queries	No. of complaints/ queries during the year		
		Received	Attended	Pending
1	Transfer/ Transmission of shares	30	30	NIL
2	Mandate	32	32	NIL
3	Loss/Issue of duplicate shares certificate	14	14	NIL
4	SEBI/Stock Exchange	—	—	NIL
5	Change of Address	87	87	NIL
6	Others	63	63	NIL

h) Designated e-mail id for investors

In terms of Clause 47(f) of the listing agreement, the designated e-mail address for investor queries is **investor@iolcp.com**

i) Legal proceeding related to the Investors

There are no legal proceedings against the Company or by the Company from investors.

j) Market Price data

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

(In Rs)

Financial Year 2009-10	IOL Chemicals and Pharmaceuticals Limited			BSE SENSEX	
	High	Low	Volume	High	Low
April 2009	103.00	84.50	14,01,584	11,492	9,546
May 2009	108.00	83.00	37,48,078	14,931	11,621
June 2009	95.50	50.05	31,48,934	15,600	14,016
July 2009	66.00	45.00	7,26,964	15,733	13,220
August 2009	71.00	46.00	16,91,530	16,002	14,684
September 2009	65.50	55.60	4,11,859	17,143	15,357
October 2009	61.95	52.00	3,29,862	17,493	15,805
November 2009	55.00	42.20	10,10,590	17,290	15,331
December 2009	59.00	47.50	32,88,288	17,531	16,578
January 2010	57.85	44.25	15,61,467	17,790	15,982
February 2010	57.90	47.35	11,18,069	16,669	15,652
March 2010	61.00	50.00	12,25,873	17,793	16,438

Source: bseindia.com

k) Registrar and Share Transfer Agents

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

l) Dematerialisation and Transfer of shares

Equity shares of Company are under rolling settlement and are compulsory traded and settled only in the dematerialised form. During the financial year 2009-10, 39,02,714 (17.18%) equity shares of the Company have been dematerialised and in total 2,08,25,043 (91.67%) shares of the Company have been dematerialised as on 31 March 2010.

No case is pending for transfer as well as dematerialisation of shares as on 31 March 2010. The ISIN No. of the Company is **INE485C01011**.

m) Secretarial Audit

M/s B. K. Gupta & Associates, Company Secretaries, carried out a secretarial audit to reconcile total admitted capital with NSDL & CDSL, total issued and listed capital. Secretarial audit report for quarter ended 31 March 2010 confirms that total admitted capital with both the depositories, NSDL & CDSL, total issued and listed capital are same and no case is pending for dematerialisation for more than 21 days as on that date.

n) Outstanding GDR/ADR/Warrants/Convertible Instrument

Company have no outstanding GDR/ADR/ warrants as on 31 March 2010.

o) Plant Location

Village Fatehgarh Chhana,
 Mansa Road, Barnala-148 001.
 Phone : +91-1679-285285-86
 Fax : +91-1679-285292



p) Address for Correspondence

For General correspondence:

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

For share transfer/ dematerialisation/ change of address etc:

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

q) Address of regulatory authorities/ stock exchange

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

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

r) Address of Depositories

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

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

9. CEO and CFO certificate:

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

10. Auditor's Certificate on Compliance:

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

11. Compliance of Clause 49 pertaining Non-Mandatory requirements:

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

Declaration under Clause 49(I)(D)(iii)

I, Varinder Gupta, Chairman and Managing Director declare that all board members and senior managerial personnel have affirmed compliance with the Combined Code of Corporate Governance and Conduct for the financial year ended 31 March 2010 .

Place : Ludhiana
Dated : 29 May 2010

Sd/-
Varinder Gupta
Chairman and Managing Director

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

To
The Members
IOL Chemicals and Pharmaceuticals Limited

We have examined the compliance of conditions of Corporate Governance by IOL Chemicals and Pharmaceuticals Limited for the year ended on 31 March 2010 as stipulated in clause 49 of the Listing Agreement of the Company with Stock Exchange in India. The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company, for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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

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

For S. C. VASUDEVA & CO.
Chartered Accountants

Place : Ludhiana
Dated : 29 May 2010

Sd/-
Sanjiv Mohan
Partner
M. No. 86066

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification under Clause 49(V)

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

1. We have reviewed the financial statements and the cash flow statement for the year ended 31 March 2010 and that to the best of our knowledge and belief :
 - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year are fraudulent, illegal or violative of the Company's code of conduct;
3. We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and Audit & Risk Management Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies;
4. We have indicated to the Auditors and Audit & Risk Management Committee
 - a) significant changes in internal controls during the year;
 - b) significant changes in accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements; and
 - c) instances of significant fraud of which we have become aware and involvement therein, if any, of the management or other employees who have a significant role in the Company's internal controls system.

Place : Ludhiana
Dated : 29 May 2010

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

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



AUDITORS' REPORT

The Members,
IOL Chemicals and Pharmaceuticals Limited, Ludhiana

1. We have audited the attached Balance Sheet of M/s IOL Chemicals and Pharmaceuticals Limited as at 31 March 2010 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraph 4 and 5 of the said order.
4. Further to our comments in the annexure referred to in paragraph 3 above, we report that :
 - a) We have obtained all information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - e) On the basis of the written representations received from the directors as on 31 March 2010 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31 March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies and other notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - i) in the case of Balance Sheet, of the state of affairs of the company as at 31 March 2010;
 - ii) in the case of Profit and Loss Account, of the profit for the year ended on that date; and

iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

for S. C. VASUDEVA & CO.
Chartered Accountants
Firm Reg. No. 00235N
Sd/-

Place: Ludhiana
Dated: 29 May 2010

(Sanjiv Mohan)
Partner
M. No. 86066

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3)

- (1) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) According to information and explanations given to us, the fixed assets have been physically verified by the management during the year. No discrepancies were noticed on such physical verification. In our opinion the frequency of physical verification of fixed assets is reasonable having regard to the size of the Company and nature of its business.
- c) According to information and explanations given to us, Company has not disposed off substantial part of its fixed assets during the year.
- (2) a) According to information and explanations given to us, inventories have been physically verified by the management at the close of the year. In our opinion the frequency of verification is reasonable.
- b) In our opinion and according to information and explanations given to us, the procedures of physical verification of inventories followed by the management as evidenced by the written procedures and instructions are reasonable and adequate in relation to the size of the Company and nature of its business.
- c) In our opinion, Company is maintaining proper records of inventory. As explained to us, no discrepancies were noticed on physical verification of inventory as compared to the book records.
- (3) a) According to information and explanations given to us, the Company has not granted loans secured or unsecured to companies, firm or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly the provisions of clause 4 (iii) (b) (c) and (d) of the above said order are not applicable to the Company.
- b) According to information and explanations given to us, the Company has taken interest free unsecured loans from three companies and one party covered in the register maintained under Section 301 of the Companies Act, 1956. The amount involved in the transaction is Rs 1,081.27 lacs. There is Rs 774.77 lacs payable as at the close of the year.
- c) According to information and explanations given to us and in our opinion, terms and conditions in respect of unsecured loans taken by the company are not prima-facie prejudicial to the interest of the Company.
- d) In our opinion and according to information and explanations given to us, the schedule for payment of principal amount is not yet decided.

- (4) According to information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and nature of its business, for the purchase of inventory and fixed assets and sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (5) a) According to information and explanations given to us, particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register maintained under that section.
b) In our opinion and according to information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding Rupees Five Lacs or more in respect of each party during the year, have been made at prices at the relevant time.
- (6) According to information and explanations given to us, the Company has not accepted any deposits from public. Therefore, the provisions of Section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are not applicable to the Company. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal.
- (7) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (8) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records with a view to determine whether they are accurate or complete.
- (9) a) According to information and explanations given to us and on an examination of the records of the Company, we are of the opinion that the Company has been regular in depositing statutory dues including provident fund, employees' state insurance, income tax, sales tax, wealth tax, custom duty, excise duty, cess and other applicable statutory dues with the appropriate authorities. No undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31 March 2010, for a period of more than six months from the date of they becoming payable.
b) According to information and explanations given to us, there is no disputed statutory dues in respect of income tax, sale tax, service tax, custom duty, wealth tax, excise duty and cess.
- (10) The Company does not have accumulated losses as at 31 March 2010. The latter part of the question regarding net worth is not applicable. Further, the Company has not incurred cash losses during the financial year covered under audit and in the immediately preceding financial year.
- (11) In our opinion and according to information and explanations given to us, the Company has not defaulted in repayment of dues to banks or financial institutions.
- (12) In our opinion and according to information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of clause 4(xii) of the above said order are not applicable to the Company.
- (13) According to information and explanations given to us, the Company is not a chit fund, or a nidhi/mutual benefit fund/ society. Accordingly, the provisions of clause 4 (xiii) of the above said order are not applicable to the Company.
- (14) According to information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4(xiv) of the above said order are not applicable to the Company.
- (15) According to information and explanations given to us, the Company has not given guarantee for loans taken by others from banks and financial institutions. Therefore, the provisions of clause 4(xv) of the above said order are not applicable to the Company.
- (16) According to information and explanations given to us, the Company has applied the term loans for the purpose for which the loans were taken.
- (17) In our opinion and according to information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that short term funds of Rs 1,047 lac has temporarily been used for purchase of fixed assets.
- (18) According to information and explanation given to us, the Company has made preferential allotment to the companies covered in the register maintained under Section 301 of the Companies Act, 1956. The preferential allotments of shares were in accordance with SEBI (Disclosures and Investor Protection) Guidelines, 2000/ SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009. The price at which preferential allotments of shares has been made by Company is not prejudicial to the interest of the Company.
- (19) According to information and explanations given to us, the Company has not issued debentures during the year. Accordingly, the provisions of clause 4(xix) of the above said order are not applicable to the Company.
- (20) According to information and explanations given to us, the Company has not raised money by way of public issue during the year. Accordingly, the provisions of clause 4(xx) of the above said order are not applicable to the Company.
- (21) According to information and explanations given to us, no fraud on or by the Company has been noticed or reported during the period covered by our audit.

for S. C. VASUDEVA & CO.
Chartered Accountants
Firm Reg. No. 00235N
Sd/-
(Sanjiv Mohan)
Partner
M. No. 86066

Place: Ludhiana
Dated: 29 May 2010

BALANCE SHEET AS AT 31 MARCH 2010

Particulars	Schedule No.	As at 31 March 2010 Rs	As at 31 March 2009 Rs
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Share Capital	1	27,71,66,640	23,15,00,000
b) Reserves and Surplus	2	1,16,24,22,541	79,39,29,661
c) Equity Warrants	3	4,20,00,000	9,00,00,000
d) 10% Fully Convertible Debentures		—	13,99,99,800
		1,48,15,89,181	1,25,54,29,461
2. Loan Funds			
a) Secured Loans	4	2,51,56,39,916	2,13,94,40,927
b) Unsecured Loans	5	17,55,68,004	19,08,07,882
		2,69,12,07,920	2,33,02,48,809
3. Deferred Tax Liabilities (Net)		7,19,17,805	2,55,37,972
TOTAL		4,24,47,14,906	3,61,12,16,242
II. APPLICATION OF FUNDS			
1. Fixed Assets			
a) Gross Block	6	4,18,76,20,118	1,59,15,30,271
b) Less: Depreciation		45,95,70,111	36,05,39,834
c) Net Block		3,72,80,50,007	1,23,09,90,437
d) Capital Work in Progress	7	58,93,441	1,87,46,67,842
		3,73,39,43,448	3,10,56,58,279
2. Current Assets, Loans and Advances	8		
a) Inventories		66,86,54,232	52,33,55,155
b) Sundry Debtors		30,10,69,499	25,23,78,315
c) Cash and Bank Balances		6,60,21,770	6,69,51,204
d) Loans & Advances		31,24,77,722	24,90,23,720
	(A)	1,34,82,23,223	1,09,17,08,394
Less: Current Liabilities and Provisions	9		
a) Current Liabilities		82,47,54,274	57,86,65,070
b) Provisions		1,26,97,491	74,85,361
	(B)	83,74,51,765	58,61,50,431
Net Current Assets		(A-B) 51,07,71,458	50,55,57,963
TOTAL		4,24,47,14,906	3,61,12,16,242

Notes on Accounts

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As per our report of even date

for S C VASUDEVA & CO.
Chartered Accountants

Sd/-
Varinder Gupta
Chairman and Managing Director

Sd/-
Sanjiv Mohan
Partner
M.No. 86066

Sd/-
M A Zahir
Director

Sd/-
Chandra Mohan
Director

Place : Ludhiana
Dated : 29 May 2010

For and on behalf of the Board

Sd/-
Raj Kumar Thukral
Executive Director

Sd/-
Yogesh Goel
Director

Sd/-
Krishan Singla
Vice President and
Company Secretary

Sd/-
Dimple Gupta
Director

Sd/-
H K Bal
Director

Sd/-
Rakesh Mahajan
President
(Finance)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

Particulars	Schedule No.	Year ended 31 March 2010 Rs	Year ended 31 March 2009 Rs
INCOME			
Gross Turnover		3,72,18,67,822	3,34,13,72,967
Less: Excise Duty		22,76,64,715	32,27,88,307
Net Turnover		3,49,42,03,107	3,01,85,84,660
Other Income	10	99,64,358	3,33,50,885
		<u>3,50,41,67,465</u>	<u>3,05,19,35,545</u>
EXPENDITURE			
Raw Material Consumed	11	2,47,61,78,019	2,22,98,56,105
Manufacturing Expenses	12	41,99,43,592	38,47,68,000
Personnel Expenses	13	11,25,07,462	8,13,80,648
Administrative and Other Expenses	14	3,87,98,095	3,61,27,044
Financial Expenses	15	14,86,73,783	14,91,95,018
Selling and Distribution Expenses	16	14,09,09,105	9,66,92,607
(Increase)/Decrease in Work in Process and Finished Goods	17	(8,59,36,144)	(12,77,86,426)
Increase/(Decrease) in Excise Duty on Finished Goods		64,42,145	(92,91,591)
Depreciation	6	10,01,11,855	10,00,16,849
		<u>3,35,76,27,912</u>	<u>2,94,09,58,254</u>
Profit for the year before tax		14,65,39,553	11,09,77,291
Less : Provision for taxation			
a) Current Tax		2,49,04,397	1,24,98,949
b) MAT Credit Entitlement		(2,49,04,397)	(1,24,98,949)
c) Fringe Benefit Tax		—	6,60,000
d) Deferred Tax		4,63,79,833	(1,66,25,494)
Profit after tax		<u>10,01,59,720</u>	<u>12,69,42,785</u>
Balance brought forward		36,17,94,010	23,48,51,225
Balance carried to Balance Sheet		46,19,53,730	36,17,94,010
Earning Per Share			
(Equity shares, nominal value Rs10/- each)			
Refer note No.18 of Schedule 18 " Notes on Accounts"			
Basic		4.69	7.56
Diluted		4.68	7.27
Cash		10.38	12.29

Notes on Accounts

18

As per our report of even date

for S C VASUDEVA & CO.
Chartered AccountantsSd/-
Varinder Gupta
Chairman and Managing DirectorSd/-
Sanjiv Mohan
Partner
M.No. 86066Sd/-
M A Zahir
DirectorSd/-
Chandra Mohan
DirectorPlace : Ludhiana
Dated : 29 May 2010

For and on behalf of the Board

Sd/-
Raj Kumar Thukral
Executive DirectorSd/-
Yogesh Goel
DirectorSd/-
Krishan Singla
Vice President and
Company SecretarySd/-
Dimple Gupta
DirectorSd/-
H K Bal
DirectorSd/-
Rakesh Mahajan
President
(Finance)

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

Particulars	As at 31 March 2010 Rs	As at 31 March 2009 Rs
-------------	------------------------------	------------------------------

SCHEDULE 1: SHARE CAPITAL
Authorised

3,00,00,000 (Previous year 2,50,00,000)

Equity Shares of Rs 10/- each

30,00,00,000

25,00,00,000

50,00,000 (Previous year - 50,00,000)

Preference shares of Rs 10/- each

5,00,00,000

5,00,00,000

35,00,00,000
30,00,00,000
Issued, Subscribed And Paid-Up

2,27,16,664 (Previous year 1,81,50,000)

Equity Shares of Rs 10/- each

22,71,66,640

18,15,00,000

7% 50,00,000 (Previous year - 50,00,000)

Non Cumulative Preference Shares of Rs 10/- each

5,00,00,000

5,00,00,000

27,71,66,640
23,15,00,000
SCHEDULE 2 : RESERVES & SURPLUS
Capital Reserves
1,05,45,651

1,05,45,651

Share Premium Account

- As per last account

42,15,90,000

23,26,50,000

- Addition during the year

26,83,33,160
68,99,23,160

18,89,40,000

42,15,90,000

Surplus i.e. balance in profit and loss account annexed
46,19,53,730

36,17,94,010

1,16,24,22,541
79,39,29,661
SCHEDULE 3 : EQUITY WARRANTS

Nil (Previous year 12,00,000) equity warrants, allotted on Preferential basis, carrying an option to the holder of such warrants to subscribe to one equity share of Rs 10/- each at a premium of Rs 65/- per share for every warrant held, within 18 months from the date of allotment, i.e. from 22 October 2007

—

9,00,00,000

30,00,000 (Previous year Nil) equity warrants, allotted on Preferential basis, carrying an option to the holder of such warrants to subscribe to one equity share of Rs 10/- each at a premium of Rs 46/- per share for every warrant held, within 18 months from the date of allotment, i.e. from 16 January 2010. (25% of price fixed has been received)

4,20,00,000
4,20,00,000

9,00,00,000

Particulars	As at 31 March 2010 Rs	As at 31 March 2009 Rs
SCHEDULE 4 : SECURED LOANS		
Loans and advances from banks		
Working Capital Facilities *		
Punjab National Bank	24,67,17,467	13,74,27,315
Allahabad Bank	7,45,90,549	5,13,39,320
IDBI Bank Ltd	—	2,98,09,699
State Bank of India	4,03,33,272	2,74,25,782
Oriental Bank of Commerce	3,21,82,985	96,00,000
Term Loans **		
Punjab National Bank	1,21,44,19,474	92,40,88,428
Allahabad Bank	45,72,91,395	48,61,96,271
IDBI Bank Ltd	41,15,465	27,54,93,123
State Bank of India	19,22,68,015	19,39,60,163
Oriental Bank of Commerce	25,07,73,393	—
Other loans and advances ***		
Vehicle loans	29,47,901	41,00,826
	2,51,56,39,916	2,13,94,40,927

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

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

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

Amount due for repayment of term loans within one year Rs 3,097.35 lac, (Previous year Rs 1,567.39 lac)

SCHEDULE 5 : UNSECURED LOANS

Other loans and advances from:

Directors	2,76,708	2,76,708
Others	17,52,91,296	19,05,31,174
	17,55,68,004	19,08,07,882

SCHEDULE 6 : FIXED ASSETS

(Amount in Rs)

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1 April 2009	Additions during the Year	Sale/ Adjust ments	As at 31 March 2010	As at 1 April 2009	For the Year	Adjust ments	Upto 31 March 2010	As at 31 March 2010	As at 31 March 2009
Land										
- Freehold Land	5,15,63,865	1,43,74,025	—	6,59,37,890	—	—	—	—	6,59,37,890	5,15,63,865
- Leasehold Land	25,24,273	—	—	25,24,273	4,13,459	43,522	—	4,56,981	20,67,292	21,10,814
Buildings	17,03,65,543	21,08,29,017	—	38,11,94,560	1,37,58,811	53,58,970	—	1,91,17,781	36,20,76,779	15,66,06,732
Plant and Machinery	1,35,09,27,793	2,37,10,41,748	—	3,72,19,69,541	34,09,09,984	9,32,15,977	—	43,41,25,961	3,28,78,43,580	1,01,00,17,809
Furniture and Fixtures	56,91,162	6,05,382	—	62,96,544	27,20,266	5,19,833	—	32,40,099	30,56,445	29,70,896
Vehicles	1,04,57,635	29,02,530	36,62,855	96,97,310	27,37,314	9,73,553	10,81,578	26,29,289	70,68,021	77,20,321
Total	1,59,15,30,271	2,59,97,52,702	36,62,855	4,18,76,20,118	36,05,39,834	10,01,11,855	10,81,578	45,95,70,111	3,72,80,50,007	1,23,09,90,437
Previous year	1,52,77,49,974	6,42,17,088	4,36,791	1,59,15,30,271	26,06,33,660	10,00,16,849	1,10,675	36,05,39,834	1,23,09,90,437	

Particulars	As at 31 March 2010 Rs	As at 31 March 2009 Rs
SCHEDULE 7 : CAPITAL WORK IN PROGRESS		
Building under construction	—	15,01,89,978
Machinery under erection	55,26,534	1,49,07,28,662
Capital Advances	—	8,75,19,871
Project and pre-operative Expenses (Pending Allocation)	3,66,907	14,62,29,331
	<u>58,93,441</u>	<u>1,87,46,67,842</u>
SCHEDULE 8 : CURRENT ASSETS, LOANS AND ADVANCES		
1. CURRENT ASSETS		
A. Inventories		
Stores & Spares	9,22,30,641	3,75,55,740
Raw Material	6,99,85,741	2,70,15,587
Work in Process	37,18,81,793	31,81,77,643
Finished Goods	11,62,98,368	5,76,46,822
Material in Transit	1,82,57,689	8,29,59,363
	<u>66,86,54,232</u>	<u>52,33,55,155</u>
B. Sundry Debtors		
(Unsecured, considered good unless otherwise stated)		
a) Debts outstanding for a period exceeding six months		
- Considered Good	1,03,50,786	1,45,90,441
- Considered Doubtful	14,37,289	5,35,346
	<u>1,17,88,075</u>	<u>1,51,25,787</u>
Less: Allowances for doubtful debts	14,37,289	5,35,346
	<u>1,03,50,786</u>	<u>1,45,90,441</u>
b) Other debts : Considered Good	29,07,18,713	23,77,87,874
	<u>30,10,69,499</u>	<u>25,23,78,315</u>
C. Cash And Bank Balances		
Cash in hand	34,03,380	33,05,547
Balances with Scheduled Banks in Current Accounts	10,90,236	23,17,503
Fixed Deposit (held as Margin Money)	6,15,28,154	6,13,28,154
	<u>6,60,21,770</u>	<u>6,69,51,204</u>
2. LOANS AND ADVANCES		
(Unsecured and Considered Good)		
Advances recoverable in cash or in kind or for value to be received	1,97,86,427	1,30,48,139
Balances with Govt. Authorities on Current Account	21,87,47,859	18,69,36,542
MAT Credit Entitlement	7,39,43,436	4,90,39,039
	<u>31,24,77,722</u>	<u>24,90,23,720</u>
	<u>1,34,82,23,223</u>	<u>1,09,17,08,394</u>
SCHEDULE 9 : CURRENT LIABILITIES AND PROVISIONS		
A CURRENT LIABILITIES		
1 Sundry Creditors - Trade		
a) Total outstanding dues of Micro Enterprises and Small Enterprises	1,10,386	—
b) Total outstanding dues of creditors other than Micro Enterprises and Small Enterprises	60,31,61,153	41,52,56,980
2 Sundry Creditors - Capital		
a) Total outstanding dues of Micro Enterprises and Small Enterprises	82,804	—
b) Total outstanding dues of creditors other than Micro Enterprises and Small Enterprises	16,95,08,853	11,81,80,443
3 Other Liabilities	5,18,91,078	4,11,60,210
4 Interest accrued but not due on loans	—	40,67,437
	<u>82,47,54,274</u>	<u>57,86,65,070</u>
B PROVISIONS		
1 Current Tax	1,07,02,570	49,08,739
2 Employee Benefits	19,94,921	25,76,622
	<u>1,26,97,491</u>	<u>74,85,361</u>
	<u>83,74,51,765</u>	<u>58,61,50,431</u>

Particulars	Year ended 31 March 2010 Rs	Year ended 31 March 2009 Rs
SCHEDULE 10 : OTHER INCOME		
Interest received (TDS Rs 10.60 lac, previous year Rs 9.39 lac)	84,64,932	64,82,547
Miscellaneous	4,54,066	20,65,393
Equity Warrants forfeited	—	96,42,000
Rent received	1,80,000	1,80,000
Exchange rate fluctuation	8,65,360	1,49,80,945
	<u>99,64,358</u>	<u>3,33,50,885</u>
SCHEDULE 11 : RAW MATERIAL CONSUMED		
Opening Stocks		
Raw Material - Indigenous	1,66,44,769	3,85,41,340
Raw Material - Imported/ Highseas	1,03,70,818	15,29,024
Total Opening Stocks	<u>2,70,15,587</u>	<u>4,00,70,364</u>
Add : Purchases		
Raw Material - Indigenous	1,06,92,07,664	1,70,14,73,809
Raw Material - Imported/ Highseas	1,53,29,72,713	51,53,27,519
Total Purchases	<u>2,60,21,80,377</u>	<u>2,21,68,01,328</u>
Less: Consumption during trial run	8,50,78,774	—
Less : Closing Stocks		
Raw Material - Indigenous	4,28,63,393	1,66,44,769
Raw Material - Imported/ Highseas	2,50,75,778	1,03,70,818
Total Closing Stocks	<u>6,79,39,171</u>	<u>2,70,15,587</u>
Total Consumption	<u>2,47,61,78,019</u>	<u>2,22,98,56,105</u>
SCHEDULE 12 : MANUFACTURING EXPENSES		
Power & Fuel	35,76,04,322	33,72,79,215
Stores & Spares Consumed	4,82,49,844	4,14,96,706
Repairs to Plant & Machinery	48,28,138	10,95,002
Job Charges	92,61,288	48,97,077
	<u>41,99,43,592</u>	<u>38,47,68,000</u>
SCHEDULE 13 : PERSONNEL EXPENSES		
Salaries and Wages	9,83,56,935	6,95,72,248
Bonus	44,90,053	33,72,619
Contribution to Funds	72,93,025	60,82,310
Staff and Labour Welfare	20,44,388	20,72,368
Punjab Labour Welfare Fund	20,026	18,751
Staff Recruitment Expenses	2,36,532	2,15,042
Training Expenses	66,503	47,310
	<u>11,25,07,462</u>	<u>8,13,80,648</u>

Particulars	Year ended 31 March 2010 Rs	Year ended 31 March 2009 Rs
SCHEDULE 14 : ADMINISTRATIVE AND OTHER EXPENSES		
Rent	15,74,295	14,57,716
Insurance	60,12,775	47,33,566
Printing and Stationery	20,79,310	18,24,684
Postage, Telegram and Telephone	25,35,687	23,96,761
Traveling and Conveyance	29,50,936	28,98,831
Directors' Traveling	21,46,882	14,60,848
Director's Remuneration	40,25,227	34,55,344
Directors' Sitting Fee	3,30,000	2,67,500
Auditor's Remuneration	2,60,688	2,35,012
Cost Auditor's Remuneration	50,581	32,220
Internal Auditor's Remuneration	1,34,976	1,30,186
Fees and Taxes	19,62,104	10,25,120
Legal and professional charges	12,02,590	15,28,296
Repairs to Building	11,94,015	15,08,295
Other Repairs	15,27,041	15,79,972
Vehicle Maintenance	17,72,496	18,42,014
Charity and Donation	43,100	31,800
Electricity Expenses	13,33,256	9,71,715
R&D Expenses	4,13,862	7,80,962
Loss on Sale of Fixed Assets	9,18,277	1,11,115
Prior Period Expenses	68,740	30,59,182
Allowances for Doubtful Debts	9,01,943	5,35,346
Miscellaneous expenses	53,59,314	42,60,559
	3,87,98,095	3,61,27,044
SCHEDULE 15 : FINANCIAL EXPENSES		
Interest on Term Loans	5,50,45,539	7,29,18,971
Interest on others	7,35,79,373	6,00,09,219
Bank and other charges	2,00,48,871	1,62,66,828
	14,86,73,783	14,91,95,018
SCHEDULE 16 : SELLING & DISTRIBUTION EXPENSES		
Rebate and Discount	2,08,45,132	1,33,55,483
Freight and Octroi Outward	8,89,85,665	5,90,39,455
Business Promotion	13,19,798	23,44,951
Export Expenses	10,11,159	9,49,208
Commission	2,83,23,867	2,07,06,627
Other Selling Expenses	4,23,484	2,96,883
	14,09,09,105	9,66,92,607
SCHEDULE 17 : (INCREASE)/DECREASE IN WORK IN PROCESS AND FINISHED GOODS		
Opening Stocks		
Work-in-Process	31,81,77,643	13,92,55,068
Finished Goods	5,76,46,822	10,87,82,971
	37,58,24,465	24,80,38,039
Transfer from trial run	2,64,19,552	—
Less : Closing Stocks		
Work-in-Process	37,18,81,793	31,81,77,643
Finished Goods	11,62,98,368	5,76,46,822
	48,81,80,161	37,58,24,465
(Increase)/Decrease in Work in Process and Finished Goods	(8,59,36,144)	(12,77,86,426)

SCHEDULE 18 : NOTES ON ACCOUNTS**1. SIGNIFICANT ACCOUNTING POLICIES****A. Accounting Convention**

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

B. Use of estimates

The preparation of financial statement conforming to generally accepted accounting principals require estimates and assumptions to be made that effect the reported amount of asset and liabilities as on the date of financial statements and the reported amount of revenues and expenses during the reporting period. Difference between actual results and estimates are recognised in the period in which the results materialise.

C. Revenue Recognition**i. Sales**

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

- a) When all significant risks and rewards of ownership is transferred to the buyer and the company retains no effective control of goods transferred to a degree usually associated with ownership and;
- b) No significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of the goods.
- c) The revenue in respect of export incentives is recognised a post export basis.

ii. Interest

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

iii. Insurance and other claims

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

D. Employee Benefits**i. Short Term Employee Benefits**

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

ii. Post Employment Benefits**a) Defined Contribution Plans****Provident Fund**

Contributions to provident fund are made in accordance with the provisions of the Employee's Provident Fund and Miscellaneous Provisions Act, 1952 and are charged to Profit and Loss Account in the period in which such contributions fall due.

b) Defined Benefit Plans**Gratuity**

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

Leave encashment

Provision for leave with wages and long term compensated absences is made on the basis of actuarial valuation as at close of the year.

c) The actuarial gain/loss

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

E. Fixed Assets

Fixed assets are stated at historical cost less accumulated depreciation.

F. Expenditure incurred during construction period

In respect of new/major expansion cost incurred which are directly attributable to bringing the assets to their working condition are capitalized on various categories of fixed assets on proportionate basis.

G. Depreciation

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

H. Inventories

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

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

I. Cenvat Credit

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

J. Borrowing Costs

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

K. Foreign Exchange Transactions

- i. Foreign currency transactions are recorded on initial recognition in reporting currency by applying foreign currency amount, the exchange rate, between the reporting currency and the foreign currency, at the date of transaction.

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

L. Accounting for Taxes on Income

Tax expense comprises of Current tax and Deferred tax. Current tax is the aggregate amount of income tax determined to be payable in respect of taxable income for the period. Deferred Tax is the tax effect of timing differences between taxable income and accounting income for the period that originate in one period and are capable of reversal in one or more subsequent periods.

M. Impairment of Assets

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

N. Earning Per Share

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

O. Operating Lease

Assets acquired on leases wherein a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals paid for such leases are recognised as an expense on systematic basis over the term of lease.

P. Provisions and Contingent Liabilities

- i. Provisions are recognised for liabilities that can be measured by using a substantial degree of estimation, if:
- a) the Company has present obligation as a result of a past event;
 - b) a probable outflow of resources embodying economic benefits is expected to settle the obligation; and
 - c) the amount of the obligation can be reliably estimated.
- ii. Contingent liability is disclosed in the case of:
- a) Possible obligation that arises from past events and existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the enterprise; or
 - b) a present obligation arising from a past event
 - (i) when it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) a reliable estimate of the amount of the obligation cannot be made.

2. Contingent liabilities not provided for:

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

(Rs in lac)

Particulars	As at 31 March 2010	As at 31 March 2009
Claims against the Company not acknowledged as debt	38.26	38.70
Letter of Credit outstanding	253.47	2,689.41
Bills discounted with bankers against irrevocable letter of credit	599.46	630.10
Estimated amount of contracts remaining to be executed on capital account (net of Advances)	185.85	1,661.77

3. Auditors' Remuneration

(Amount in Rs)

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Statutory Audit Fee	1,35,000	1,35,000
Tax Audit Fee	50,000	50,000
Certification/ Company Law / Other Matters	60,000	35,000
Reimbursement of expenses	15,688	15,012
Total	2,60,688	2,35,012

4. Managerial Remuneration paid/payable

(Amount in Rs)

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Chairman cum Managing Director		
Salary	9,60,000	9,60,000
Contribution to Provident Fund	1,15,200	1,15,200
Other allowances	12,33,547	12,35,824
Executive Director		
Salary	7,15,200	4,76,800
Contribution to Provident Fund	85,824	57,216
Other allowances	9,15,456	6,10,304
Total Remuneration	40,25,227	34,55,344

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

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

(Amount in Rs)

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Profit before tax	14,65,39,553	11,09,77,291
Add: Managerial remuneration	40,25,227	34,55,344
Add: Loss on Sale of fixed Assets	9,18,227	1,11,115
Profit under Section 349 of the Companies Act, 1956	15,14,83,007	11,45,43,750
Maximum permissible limit @ 10%	1,51,48,301	1,14,54,375
Remuneration paid / payable	40,25,227	34,55,344

6. In the opinion of the Board of Directors and to the best of their knowledge and belief, the value on realisation of current assets, loans and advances in the ordinary course of business will not be less than the amount at which they are stated in the balance sheet.

7. Deferred Tax liability as on 31 March 2010 is as under:
(Rs in lac)

Particulars	As at 31 March 2010	As at 31 March 2009
Deferred tax Liability on account of timing difference due to depreciation	4,094.20	2,026.05
Less: Deferred tax Assets arising on (i) Unabsorbed depreciation	3,369.63	1,765.28
(ii) Expenses allowable on payment basis.	5.39	5.39
Net Deferred Tax Liability	719.18	255.38

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

9. Increase in Share Capital

The share capital of the Company has been increased from 1,81,50,000 equity shares to 2,27,16,664 equity shares. The detail of such increase is as under:

- a) The Company has allotted 12,00,000 equity shares of Rs 10/- each at a premium of Rs 65/- per share on conversion of equivalent number of equity warrants.

- b) The Company has allotted 18,66,664 equity shares of Rs 10/- each at a premium of Rs 65/- per share on conversion of 10%; 13,99,998 fully convertible debentures.

- c) The Company has also allotted 15,00,000 equity shares of Rs 10/- each at a premium of Rs 46/- per share.

The above said allotments were made in accordance with SEBI (Disclosures & Investor protection) Guidelines, 2000/ SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.

10. Equity Warrants

The Company has issued 30,00,000 equity warrants carrying an option to convert each warrant into one equity shares of Rs 10/- each at a premium of Rs 46/- per share, within a period of 18 months from the date of allotment i.e. 16 January 2010 in accordance with the SEBI Regulations.

11. Sundry creditors amounting to Rs 1.93 lac (Previous year Nil) being principal amount due to the suppliers covered under "The Micro, Small and Medium Enterprises Development Act 2006", which have been identified from the information available with the Company.

12. Project and Pre-operative expenses (Rs in lac)

Particulars	As at 31 March 2010	As at 31 March 2009
Opening Balance pending for allocation	1,462.30	147.45
Expenses during the year		
Power and Fuel	5.08	21.66
Personnel Expenses	176.18	143.82
Insurance	11.03	13.06
Traveling and Conveyance	17.81	13.97
Legal & Professional Charges	27.28	34.48
Financial Expenses	1,958.95	1,070.53
Business Promotion	9.26	-
Freight	4.99	7.34
R & D Expenses	3.42	-
Miscellaneous	24.80	9.99
Total (A)	3,701.10	1,462.30
Trial Run Expenses		
Raw Material consumed	850.79	—
Power and Fuel	426.72	—
Selling and Distribution	53.93	—
Total (B)	1,331.44	—
Total (C) = (A+B)	5,032.54	1,462.30
Sales (Net of Excise duty of Rs 65.65 lac)	(759.48)	—
Stock transferred to Profit and Loss Account.	(264.20)	—
Total (D)	4,008.86	1,314.85
Less: Allocated to Building and Plant and Machinery	4,005.19	—
Pending Allocation	3.67	1,462.30

13. Borrowing cost capitalised during the year is Rs 1,958.95 lac (Previous year Rs 1,070.53 lac) included under the head capital work in progress.

14. The foreign currency exposure of the Company remaining un-hedged is as under:

Particulars	As at 31 March 2010		As at 31 March 2009
	USD	EURO	USD
Against Imports (Creditors)	12,04,555	6,26,728	19,64,006
Against Exports (Debtors)	12,61,888	31,050	6,25,079

15. Excise Duty attributable to finished goods sold during the year is reduced from gross turnover in the Profit and Loss Account. Increase/ (decrease) in excise duty on differential between opening and closing stock of finished goods is also disclosed separately in the Profit and Loss Account.

16. Security received from customer amounting to Rs 135.10 lac being in the nature of long term accordingly included under head unsecured loan.

17. Related Party Disclosure:

a) Name of related parties and description of relationship:

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

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

(Rs in lac)

Particulars	Enterprises over which KMP is able to exercise significant influence		Key Management Personnel		Relatives of KMP	
	Year ended 31 March 2010	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2009
Sales and Services	—	70.99	—	—	—	—
Purchase and receiving of Services	92.61	46.37	—	—	—	—
Managerial Remuneration	—	—	40.25	34.55	—	—
Rent received	—	—	1.80	1.80	—	—
Loan taken (including opening balance)	1,078.50	1,017.00	2.77	2.77	—	—
Loan repayment	306.50	—	—	—	—	—
Closing Balance	772.00	1,017.00	2.77	2.77	—	—
Amount received during the year against equity warrants	420.00	1,994.60	—	—	—	—
Equity Shares allotted	840.00	1,344.00	—	—	—	—
Director Sitting Fee	—	—	—	—	0.50	0.25

18. Earning Per Share

The earning per share (EPS) disclosed in the Profit and Loss Account have been calculated as under:

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Profit attributable to equity shareholders (Rs in lac)	1,001.60	1,269.43
Less: Equity warrant forfeited being extraordinary item (Rs in lac)	—	96.42
Profit for the year before extraordinary item (Rs in lac)	1,001.60	1,173.01
Weighted average number of equity shares	2,13,56,847	1,55,17,877
Weighted average number of equity shares after adjustment for dilutive potential equity shares	2,14,09,479	1,61,37,734
Basic earning per share excluding extraordinary items	4.69	7.56
Nominal value Rs 10/- per share		
Diluted earning per share excluding extraordinary item	4.68	7.27
Nominal value Rs 10/- per share		

19. Employee Benefits

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

A. Gratuity and Leave Encashment**(Rs in lac)**

Sr No	Particulars	Gratuity (Funded)		Leave Encashment (Funded)	
		Year ended 31 March 2010	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2009
a	Change in the present value of the obligation				
1	Present value of obligation as at beginning of the year	67.64	58.61	30.83	19.62
2	Current service cost	15.45	12.40	9.55	8.38
3	Interest cost	5.41	4.69	2.47	1.57
4	Benefits paid	(2.10)	(3.09)	(5.72)	(3.14)
5	Actuarial (gain)/loss	14.73	(4.97)	5.77	4.40
6	Present value of obligation as at close of the year	101.14	67.64	42.89	30.83
b	Change in fair value of plan assets				
1	Fair value of plan assets as at beginning of the year	51.53	45.25	25.02	16.80
2	Expected return in plan assets	4.71	4.14	2.29	1.54
3	Contribution	34.38	5.17	14.64	9.70
4	Benefits paid	(2.10)	(3.09)	(5.72)	(3.14)
5	Actuarial gain/(loss)	1.87	0.06	0.25	0.12
6	Fair value of plan assets as at close of the year	90.38	51.53	36.47	25.02
c	Net Asset/(Liability) recognised in the Balance Sheet				
1	Present value of the defined benefit obligation	101.14	67.64	42.89	30.83
2	Fair value of plan assets	90.38	51.53	36.47	25.02
3	Net Asset/(Liability) recognised in the balance sheet	(10.75)	(16.11)	(6.42)	(5.81)
d	Expenses recognised in the statement of Profit and Loss Account				
1	Current service cost	15.45	12.40	9.55	8.38
2	Interest cost	5.41	4.69	2.47	1.57
3	Expected return on plan assets	(4.71)	(4.14)	(2.29)	(1.54)
4	Net actuarial (gain)/ loss recognised during the year	12.87	(5.03)	5.52	4.28
5	Total expense recognised in profit and loss account	29.02	7.92	15.24	12.69
e	Major categories of plan assets as a percentage of total plan assets	The plan assets are maintained with Life Insurance Corporation of India. The details of investment made has not been provided by LIC therefore has not been disclosed.			
1.	Gratuity is administered through duly constituted and approved independent trust. The said trust has taken Group Gratuity Scheme with Life Insurance Corporation of India.				
2.	Leave encashment is administered through Group Leave Encashment scheme with Life Insurance Corporation of India.				
3.	Future salary increases considered in actuarial valuation take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.				
4.	Basis used to determine expected rate of return on Plan Assets: The expected rate of return on plan assets is based on market expectation, at the beginning of the year, for returns over the entire life of the related obligation. The Gratuity contribution is invested in Group Gratuity-cum-Life Assurance cash accumulation policy and the Leave Encashment contribution is invested in a Group Leave Encashment policy offered by Life Insurance Corporation (LIC) of India.				

Sr No	Particulars	Year ended 31 March 2010	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2009
f	Principal Actuarial assumptions at the Balance Sheet Date				
1	Discount rate (per annum)	8%	8%	8%	8%
2	Rate of increase in compensation levels (per annum)	7%	7%	7%	7%
3	Rate of return on plan assets (per annum)	9.15%	9.15%	9.15%	9.15%
4	Expected average remaining working lives of employee (years)	27.25	27.72	27.25	27.72
5	Method used	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit

B. Medical Leave
(Rs in lac)

Sr No	Particulars	Medical Leave Liability (unfunded)	
		Year ended 31 March 2010	Year ended 31 March 2009
a	Changes in the present value of the obligation		
1.	Present value of Defined Benefit obligation as at beginning of the year	3.84	1.94
2.	Current service cost	0.55	1.08
3.	Interest cost	0.31	0.15
4.	Benefits paid	—	—
5.	Actuarial (gain)/loss	(1.92)	0.67
6.	Present value of obligation as at close of the year	2.78	3.84
b	Changes in fair value of plan asset		
1.	Fair value of plan assets as at beginning of the year	—	—
2.	Expected return in plan assets	—	—
3.	Contribution	—	—
4.	Benefits paid	—	—
5.	Actuarial gain/(loss)	—	—
6.	Fair value of plan assets as at close of the year	—	—
c	Net Asset/(Liability) recognised in the Balance Sheet		
1.	Present value of the defined benefit obligation	2.78	3.84
2.	Fair value of plan assets	—	—
3.	Net Asset/(Liability) recognised in the balance sheet	(2.78)	(3.84)
d	Expenses recognised in the statement of Profit and Loss Account		
1.	Current service cost	0.55	1.08
2.	Interest cost	0.31	0.15
3.	Expected return on plan assets	—	—
4.	Net actuarial (gain)/ loss recognised during the year	(1.92)	0.67
5.	Expenses recognised in profit and loss account	(1.05)	1.90
e.	Investment detail of funds	Not Applicable	Not applicable
f.	Principal Actuarial assumptions at the Balance Sheet date		
1.	Discount rate (per annum)	8%	8%
2.	Rate of increase in compensation levels (per annum)	7%	7%
3.	Rate of return on plan assets (per annum)	—	—
4.	Expected average remaining working lives of employee (years)	27.25	27.72
5.	Method used	Projected Unit Credit	Projected Unit Credit

20. Leases

The Company has leased facilities under cancelable and non-cancelable operating leases arrangements with a lease term ranging from one to five years, which are subject to renewal at mutual consent thereafter. The cancelable arrangements can be terminated by either party after giving due notice. The lease rent expenses recognized during the year amounts to Rs 15.74 lac (Previous year Rs 14.58 lac). The future minimum lease payments in respect of the non-cancelable operating leases as at 31 March 2010 are:

		(Rs in lac)	
	Particulars	As at 31 March 2010	As at 31 March 2009
a)	Not later than one year	8.81	15.74
b)	Later than one year but not later than five years	8.60	17.18
c)	Later than five years	25.68	27.72

21. Segment information**1) Segment Accounting Policies**

a) The business segment comprises the following:

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

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

c) Segment accounting policies: In addition to the significant accounting policies, applicable to the business as set out in Note 1 of schedule 18 "Notes on Accounts" the accounting policies in relation to segment accounting are as under:

i. Segment assets and liabilities

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

ii. Segment revenue and expenses

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

2) Detail of Primary Business Segments

(Rs in lac)

Particulars	Chemicals		Drugs		Unallocated		Total	
	Year ended 31 March 2010	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2009
Segment Revenue								
External Sales	23,166.83	21,292.58	11,676.92	8,791.08	98.28	82.36	34,942.03	30,185.85
Inter Segment Sales	—	—	—	—	—	—	—	—
Other Income	—	—	—	—	99.64	353.34	99.64	333.51
Total Revenue	23,166.83	21,292.58	11,676.92	8,791.08	197.92	435.70	35,041.67	30,519.36
Segment Results	1,396.21	1,663.99	1,441.86	560.87	—	—	2,838.07	2,224.86
Unallocated Income (net of unallocated Expenses)	—	—	—	—	—	—	(114.06)	(376.86)
Profit before tax & interest	—	—	—	—	—	—	2,952.13	2,601.72
Interest	—	—	—	—	—	—	1,486.74	1,491.95
Profit & Loss Before Tax	—	—	—	—	—	—	1,465.39	1,109.77
Other Information								
Segment Assets	30,581.10	8,845.51	14,687.84	9,882.43	—	—	45,268.94	18,727.94
Unallocated assets including capital work in progress	—	—	—	—	5,552.73	23,245.72	5,552.73	23,245.72
Total Assets	30,581.10	8,845.51	14,687.84	9,882.43	5,552.73	23,245.72	50,821.67	41,973.66
Segment Liabilities	4,814.90	2,714.70	1,469.28	1,722.50	—	—	6,284.18	4,437.20
Unallocated Liabilities	—	—	—	—	2,094.34	1,424.30	2,094.34	1,424.30
Total Liabilities	4,814.90	2,714.70	1,469.28	1,722.50	2,094.34	1,424.30	8,378.52	5,861.50
Net Capital employed	25,766.20	6,130.81	13,218.56	8,159.93	3,458.39	21,821.42	42,443.14	36,112.16
Capital Expenditure	20,228.03	54.26	5,479.79	201.11	253.08	382.43	25,960.90	637.80
Depreciation	399.25	402.62	560.13	559.05	41.74	38.50	1,001.12	1,000.17
Non Cash Expense other than depreciation	—	24.39	—	6.20	—	—	—	30.59

3) Detail of Secondary Segment
(Rs in lac)

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Turnover		
Export Turnover	6,640.03	4,331.09
Domestic Turnover	28,302.00	25,854.76
Total	34,942.03	30,185.85

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

A. Licensed/Installed Capacity: Annual Capacity

Particulars	Unit	Licensed Capacity		Installed Capacity	
		As at 31 March 2010	As at 31 March 2009	As at 31 March 2010	As at 31 March 2009
Acetic Acid	TPA	N.A.	N.A.	75,000	50,000
Ethyl Acetate	TPA	N.A.	N.A.	36,000	33,000
Acetic Anhydride	TPA	N.A.	N.A.	18,000	12,000
Ibuprofen	TPA	N.A.	N.A.	6,000	3,600
Acetyl Chloride	TPA	N.A.	N.A.	5,200	—
Mono Chloro Acetic Acid	TPA	N.A.	N.A.	7,200	—
Iso Butyl Benzene	TPA	N.A.	N.A.	6,600	—

N.A. means Not Applicable

B. Production (Quantity)

Products	Unit	Year ended 31 March 2010	Year ended 31 March 2009
Acetic Acid	MT	33,538	36,608
Ethyl Acetate	MT	30,864	25,808
Acetic Anhydride	MT	14,962	10,730
Ibuprofen	MT	2,854	1,783
Acetyl Chloride	MT	709	—
Mono Chloro Acetic Acid	MT	1,245	—
Iso Butyl Benzene	MT	1,925	—

Notes:

- I. Installed capacity is on annual basis.
- II. Installed capacity has been certified by the management and not verified by the Auditors, being a technical matter.
- III. Acetic Acid purchased during the year 12,900 MT (Previous year 2,799 MT) transferred for captive consumption 12,288 MT (Previous year 2,799 MT) and sale 261 MT (Previous year Nil) and balance 351 MT as raw material.
- IV. Captive consumption of finished goods produced: Acetic Acid 28,557 MT (Previous year 28,843 MT); Acetic Anhydride 1,558 MT; Acetyl Chloride 658 MT; Mono Chloro Acetic Acid 1,193 MT and Iso Butyl Benzene 1,028 MT.
- V. The enhanced capacities on account of expansion of Acetic Acid, Ethyl Acetate, Acetic Anhydride, Ibuprofen and new manufacturing facilities of Acetyl Chloride, Mono Chloro Acetic Acid and Iso Butyl Benzene were commercialised from 31 March 2010.
- VI. The Company has completed the setting up of an additional 13 MW captive Co-Generation power plant during March 2010.
- VII. Production of Acetyl Chloride, Mono Chloro Acetic Acid and Iso Butyl Benzene during trial run has been capitalised.

C. Opening Stock of finished goods

Particulars	Unit	Year ended 31 March 2010		Year ended 31 March 2009	
		Quantity	Value Rs	Quantity	Value Rs
Acetic Acid	MT	10	3,67,797	18	5,31,186
Ethyl Acetate	MT	247	1,26,47,577	68	30,91,957
Acetic Anhydride	MT	72	39,84,501	20	9,49,158
Ibuprofen	MT	85	3,97,69,051	242	10,34,12,825
Others			8,77,896		7,97,845
Total			5,76,46,822		10,87,82,971

D. Closing Stock of finished goods

Particulars	Unit	Year ended 31 March 2010		Year ended 31 March 2009	
		Quantity	Value Rs	Quantity	Value Rs
Acetic Acid	MT	—	—	10	3,67,797
Ethyl Acetate	MT	164	76,76,882	247	1,26,47,577
Acetic Anhydride	MT	79	34,96,811	72	39,84,501
Ibuprofen	MT	209	8,63,72,479	85	3,97,69,051
Acetyl Chloride	MT	28	17,52,337	—	—
Mono Chloro Acetic Acid	MT	52	19,34,050	—	—
Iso Butyl Benzene	MT	139	1,22,28,623	—	—
Others			28,37,186		8,77,896
Total			11,62,98,368		5,76,46,822

E. Sales of goods dealt with by the Company

Particulars	Unit	Year ended 31 March 2010		Year ended 31 March 2009	
		Quantity	Value Rs	Quantity	Value Rs
Acetic Acid	MT	5,252	17,76,74,706	7,773	30,98,27,650
Ethyl Acetate	MT	* 30,947	1,48,27,58,291	25,629	1,41,02,63,732
Acetic Anhydride	MT	* 13,397	73,19,52,314	10,678	65,55,38,865
Ibuprofen	MT	2,730	1,17,86,53,111	1,940	89,81,81,499
Acetyl Chloride	MT	23	15,57,131	—	—
Iso Butyl Benzene	MT	758	7,32,13,781	—	—
Others			15,85,72,146		6,75,61,221
Total Sales			3,80,43,81,480		3,34,13,72,967
Less: Gross sales capitalised during trial run			8,25,13,658		—
Gross Sales during the year			3,72,18,67,822		3,34,13,72,967

* Includes loss in transit: Ethyl Acetate 7 MT and Acetic Anhydride 7 MT

F. Raw Material Consumed

Particulars	Unit	Year ended 31 March 2010		Year ended 31 March 2009	
		Quantity	Value Rs	Quantity	Value Rs
Alcohol – Indigenous	BL	61,99,933	17,48,78,709	4,52,44,586	1,08,36,82,805
Alcohol – Imported*	BL	5,40,02,536	1,07,60,77,189	1,51,83,030	36,58,61,467
Acetic Acid - Indigenous	MT	1,164	6,61,72,943	—	—
Acetic Acid – Imported*	MT	11,385	25,04,06,441	2,799	8,69,58,829
Others – Indigenous**			80,19,37,388		55,27,28,746
Others – Imported*			19,17,84,123		14,06,24,258
Subtotal			2,56,12,56,793		2,22,98,56,105
Less: Capitalised during the year			8,50,78,774		—
Total			2,47,61,78,019		2,22,98,56,105

* Imported material includes import on High seas basis.

** Various chemicals for Drugs and Chemicals.

G. Value of Imports calculated on CIF Basis

Particulars	Year ended 31 March 2010 Value Rs	Year ended 31 March 2009 Value Rs
Raw Material	8,13,39,703	32,47,79,261
Capital Goods	1,28,01,982	1,40,19,186

H. Expenditure in Foreign Currency

Particulars	Year ended 31 March 2010 Value Rs	Year ended 31 March 2009 Value Rs
Travelling	4,04,782	1,87,368
Others	87,30,262	1,40,00,427

I. Earnings in Foreign Exchange

Particulars	Year ended 31 March 2010 Value Rs	Year ended 31 March 2009 Value Rs
Exports of Goods calculated on FOB value	61,11,35,064	36,88,82,480

J. Consumption of Raw Materials and Stores & Spares

Particulars	Year ended 31 March 2010		Year ended 31 March 2009	
	Value Rs	%	Value Rs	%
Raw Material – Imported	1,51,82,67,753	59.28	50,64,85,725	22.71
Raw Material – Indigenous	1,04,29,89,040	40.72	1,72,33,70,380	77.29
Sub-total	2,56,12,56,793	100.00	2,22,98,56,105	100.00
Less: Capitalised during the year	8,50,78,774		-	
Total Raw Material	2,47,61,78,019		2,22,98,56,105	
Stores & Spares – Imported	NIL	-	NIL	-
Stores & Spares – Indigenous	4,82,49,844	100.00	4,14,96,706	100.00
Total Stores & Spares	4,82,49,844	100.00	4,14,96,706	100.00

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

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

25. Schedules 1 to 18 form an integral part of the Balance Sheet and Profit and Loss Account.

26. Information required by part IV of Schedule VI of the Companies Act. 1956.**Balance Sheet abstract and Company's General Business Profile as at 31 March 2010****I. Registration Details**

Registration No.			7	0	3	0
Balance Sheet Date	3	1		0	3	
	Date		Month		Year	

State Code	1	6
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II. Capital Raised during the Year (Amount in Rs Thousand)

Public Issue						
				N	I	L

Bonus Issue						
				N	I	L

Rights Issue						
				N	I	L

Private Placement						
		4	5	6	6	7

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

Sources of Funds	Total Liabilities						
	4	2	4	4	7	1	5

Paid-Up Capital						
	2	7	7	1	6	7

Secured Loans						
2	5	1	5	6	4	0

Equity Warrants						
		4	2	0	0	0

Application of Funds

Net Fixed Assets						
3	7	3	3	9	4	3

Net Current Assets						
	5	1	0	7	7	2

Total Assets						
4	2	4	4	7	1	5

Reserves & Surplus						
1	1	6	2	4	2	2

Unsecured Loans						
	1	7	5	5	6	8

Deferred Tax Liabilities (Net)						
		7	1	9	1	8

Investments						
				N	I	L

Misc. Expenditure(to be extent not written off)						
				N	I	L

IV. Performance of Company (Amount in Rs Thousand)

Turnover & Other Income						
3	5	0	4	1	6	7

Profit before tax						
1	4	6	5	3	9	

Earning per share (in Rs)						
+		4	.	6	9	

Total Expenditure						
3	3	5	7	6	2	8

Profit after tax						
1	0	0	1	5	9	

Dividend rate %						
				N	I	L

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

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010
(Pursuant to clause 32 of the Listing Agreement)

Particulars	Year ended 31 March 2010 Rs	Year ended 31 March 2009 Rs
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net profit before tax and extraordinary items	14,65,39,553	10,13,35,291
Adjustments for :		
Depreciation	10,01,11,855	10,00,16,849
Misc. Expenses written off	—	25,83,481
Loss on sale of assets	9,18,277	1,11,115
Interest income	(84,64,932)	(64,82,547)
Interest expense	12,86,24,912	1,32,92,8190
Operating profit before working capital changes	36,77,29,665	33,04,92,379
Adjustments for :		
(Increase)/decrease in trade and other receivables	(8,72,40,789)	74,31,408
(Increase)/decrease in inventories	(14,52,99,077)	(17,60,65,836)
Increase/(decrease) in trade payables and other liabilities	19,81,63,726	(30,02,490)
Cash generated from operations	33,33,53,525	15,88,55,461
Extraordinary items:		
Equity warrants forfeited	—	96,42,000
Net cash from operating activities before income tax	33,33,53,525	16,84,97,461
Income tax paid	(1,91,10,566)	(1,22,49,908)
Net cash from/(used) in operating activities	31,42,42,959	15,62,47,553
B. CASH FLOW FROM/(USED) IN INVESTING ACTIVITIES		
Purchase of fixed assets	(73,09,78,301)	(1,67,67,33,327)
Sale of fixed assets	16,63,000	2,15,000
Interest received	84,64,932	64,82,547
Net cash from/(used) in investing activities	(72,08,50,369)	(1,67,00,35,780)
C. CASH FLOW FROM/(USED) IN FINANCING ACTIVITIES		
Proceeds from issue of share capital	8,40,00,000	23,66,40,000
Proceeds from long term borrowing (Net)	22,27,36,954	1,25,06,15,064
Equity share warrants	4,20,00,000	4,27,90,000
Proceeds from short term borrowing (Net)	13,82,22,157	8,63,89,582
Long term creditors against capital goods	5,14,11,214	5,82,67,212
Interest paid	(13,26,92,349)	(13,13,00,324)
Net cash from/(used) in financing activities	40,56,77,976	1,54,34,01,534
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	(9,29,434)	2,96,13,307
Cash and cash equivalents as at 1 April 2009 (Opening Balance)	6,69,51,204	3,73,37,897
Cash and cash equivalents as at 31 March 2010 (Closing Balance)	6,60,21,770	6,69,51,204

As per our report of even date

for S C VASUDEVA & CO.
Chartered Accountants

Sd/-
Varinder Gupta
Chairman and Managing Director

Sd/-
Sanjiv Mohan
Partner
M.No. 86066

Sd/-
M A Zahir
Director

Sd/-
Chandra Mohan
Director

Place : Ludhiana
Dated : 29 May 2010

For and on behalf of the Board

Sd/-
Raj Kumar Thukral
Executive Director

Sd/-
Yogesh Goel
Director

Sd/-
Krishan Singla
Vice President and
Company Secretary

Sd/-
Dimple Gupta
Director

Sd/-
H K Bal
Director

Sd/-
Rakesh Mahajan
President
(Finance)

**IOL CHEMICALS AND PHARMACEUTICALS LIMITED**

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

MEMBERS FEEDBACK FORM 2009-10

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

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

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

Suggestion/Question

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

Name Folio/Client ID No.

Address

Signatures

**IOL CHEMICALS AND PHARMACEUTICALS LIMITED**

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

PROXY FORM

I/We of in the district of being a member/members of M/s IOL Chemicals and Pharmaceuticals Limited, hereby appoint of the district of failing him of of the district of as my/our Proxy to vote for me/us on my/our behalf at the **23rd Annual General Meeting** of the Company to be held on **Saturday, 14 August 2010 at 10.00 A M** at the Registered Office of the Company situated at Trident Complex, Raikot Road, Barnala-148101, Punjab, and at any adjournment thereof.

Signed this day of 2010

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

Signature

Folio/Client ID No.

Note :

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

**IOL CHEMICALS AND PHARMACEUTICALS LIMITED**

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

ATTENDANCE SLIP

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

Name of the Proxy : No. of shares held :

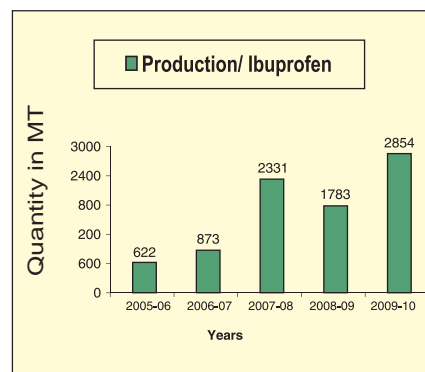
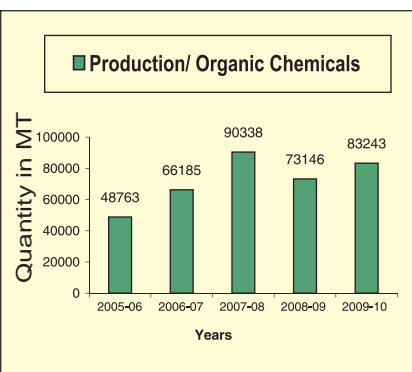
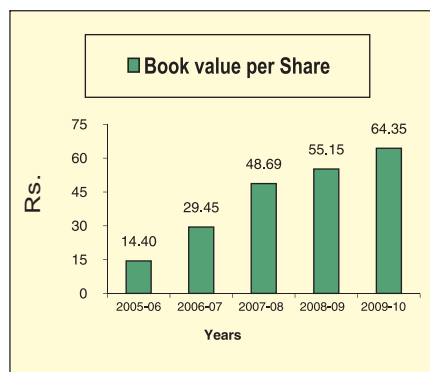
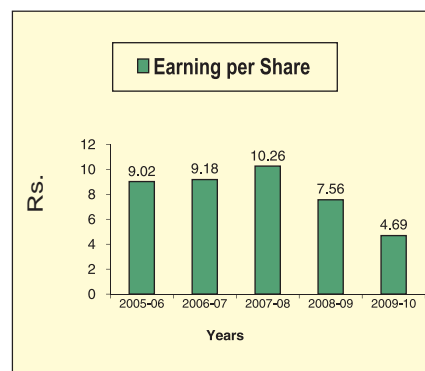
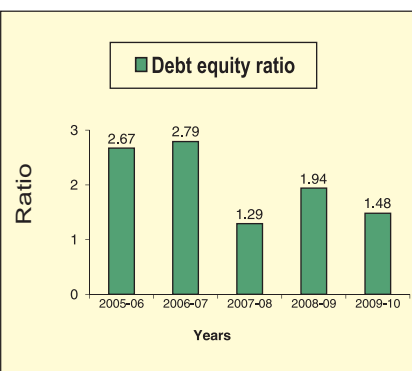
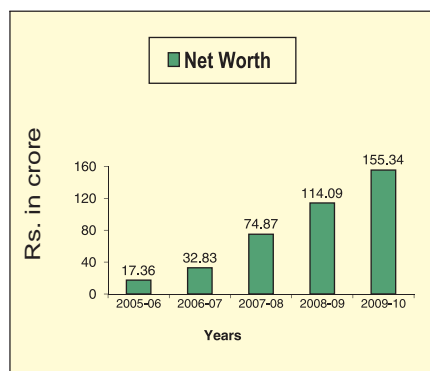
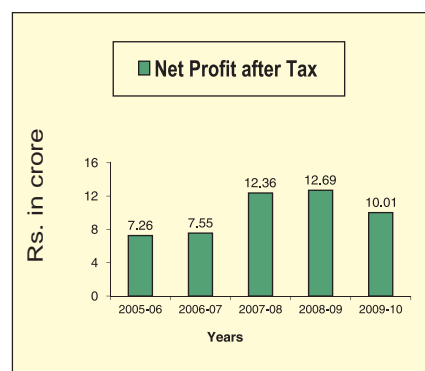
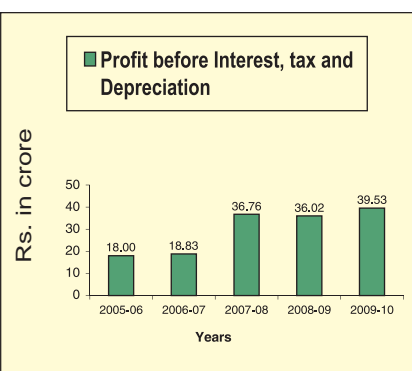
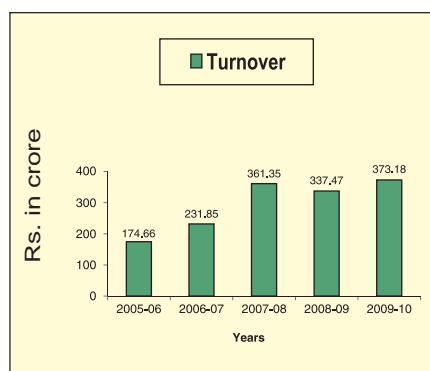
I hereby record my presence at the **23rd Annual General Meeting** of the Company held on **Saturday, 14 August 2010 at 10.00 A M** at Trident Complex, Raikot Road, Barnala - 148 101, Punjab.

Signature of Member/Proxy

Notes :

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

FINANCIAL PERFORMANCE



Financial Performance

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
Turnover (Rs in Crore)	174.66	231.85	361.35	337.47	373.18
Profit before Interest, tax and Depreciation (Rs in Crore)	18.00	18.83	36.76	36.02	39.53
Net Profit after Tax (Rs in Crore)	7.26	7.55	12.36	12.69	10.01
Net Worth (Rs in Crore)	17.36	32.83	74.87	114.09	155.34
Debt equity ratio	2.67	2.79	1.29	1.94	1.48
Earning per Share (Rs)	9.02	9.18	10.26	7.56	4.69
Book value per Share (Rs)	14.40	29.45	48.69	55.15	64.35
Production/ Organic Chemicals (Quantity in MT)	48763	66185	90338	73146	83243
Production/ Ibuprofen (Quantity in MT)	622	873	2331	1783	2854

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