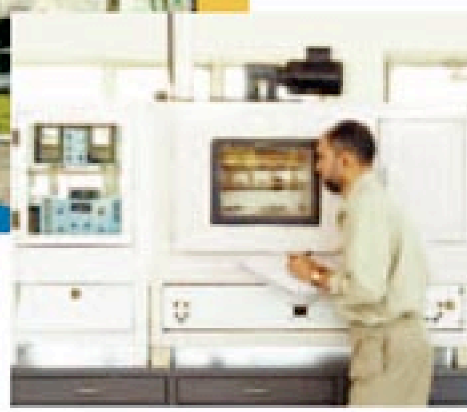
Quality driven



NOCIL Limited

46th Annual Report 2007-08

Contents

Registrar and Share Transfer Agents

Sharepro Services (India) Pvt. Ltd.
Unit - NOCIL Ltd.
Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (East), Mumbai 400 099
Tel: 2821 5168, 6772 0300, 6772 0348, 6442 0351
Fax: 2837 5646
e-mail: sharepro@shareproservices.com

Investor Relations Centre:

912, Raheja Centre, Free Press Journal Road, Nariman Point, Mumbai 400 021
Tel: 2282 5163, 2288 4527
Fax: 2282 5484

For Members' Attention

1. The Register of Members and the Share Transfer Books of the Company will remain closed from Monday, 14 July 2008 to Tuesday, 22 July 2008.

2. The Shares of the Company have been brought under Compulsory dematerialization. Those shareholders who have not dematted their shareholding from physical to demat mode are requested to do so at the earliest.

3. The members are requested to quote their Folio Number in all correspondence and also to notify immediately, change of address, if any to the Registrar and Share Transfer Agents viz. Sharepro Services (I) Pvt. Ltd. at the address given on this page.

4. The members are requested to inform the Company their bank account particulars/ ECS mandates for the purpose of payment of dividend, if declared, at the ensuing Annual General Meeting.

5. Members are requested to bring their copy of the Annual Report along with them to the Annual General Meeting, as the practice of distributing copies of the Report at the Meeting has been discontinued and also to bring with them their Attendance Slip which may be submitted at the entrance duly signed.

6. Members desirous of getting any information about accounts and operations of the Company are requested to address their queries to the Company Secretary at least 10 days in advance of the meeting so that information required can be made readily available at the meeting.

Corporate Information

Arvind N. Mafatlal	*Chairman - Emeritus*

BOARD OF DIRECTORS

Hrishikesh A. Mafatlal	*Chairman*
Rohit Arora	
Berjis Desai	
V.R. Gupte	
C.L. Jain	
Vishad P. Mafatlal	
D.N. Mungale	
N. Sankar	
C.R. Gupte	*Managing Director*

COMPANY SECRETARY

V.K. Gupte

MANAGEMENT TEAM

C.R. Gupte	*Managing Director*
S.R. Deo	*Senior Vice President – Technical*
R.M. Gadgil	*Senior Vice President – Marketing*
P. Srinivasan	*Vice President– Finance*
S.D. Ghate	*Assistant Vice President – Personnel & Administration*
C.S. Inamdar	*Assistant Vice President – Marketing Technical Services*
C. Nandi	*Assistant Vice President – Research & Development*
A. Sivaraman	*Assistant Vice President – Purchase*

REGISTERED OFFICE

Mafatlal House, H.T. Parekh Marg, Backbay Reclamation, Churchgate, Mumbai 400 020.

PLANT

C-37, Trans Thane Creek Industrial Area, Off. Thane Belapur Road, Navi Mumbai 400 701, Maharashtra.

CONTACT DETAILS

Telephone : 66364062
Fax : 66364060
E-mail : investorcare@nocilindia.com
Website : www.natocil.com

BANKERS

HDFC Bank Ltd.
AXIS Bank Ltd.

AUDITORS

Deloitte Haskins & Sells
Chartered Accountants

SOLICITORS & ADVOCATES

PDS Legal
Vigil Juris

Notice

NOTICE is hereby given that the forty sixth Annual General Meeting of the Members of NOCIL Limited will be held at 4.00 p.m. on Tuesday, the 22 July 2008, at Patkar Hall, S.N.D.T. Women's University, 1, Nathibai Damodar Thackersey Road, Mumbai-400 020, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Profit & Loss Account of the Company for the year ended 31 March 2008 and the Balance Sheet as at 31 March 2008 and the Reports of the Directors and the Auditors thereon.

2. To declare dividend on equity shares.

3. To appoint a Director in place of Mr. H.A.Mafatlal, who retires by rotation under Article 145 of the Articles of Association of the Company and being eligible, offers himself for reappointment.

4. To appoint a Director in place of Mr. V.P.Mafatlal who retires by rotation under Article 145 of the Articles of Association of the Company and being eligible, offers himself for reappointment.

5. To appoint a Director in place of Mr. Rohit Arora who retires by rotation under Article 145 of the Articles of Association of the Company and being eligible, offers himself for reappointment.

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

"RESOLVED THAT Messrs Deloitte Haskins and Sells, Chartered Accountants, Mumbai be and are hereby appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting, to examine and audit the accounts of the Company for the financial year 2008-09, at such remuneration as may be mutually agreed upon between the Board of Directors of the Company and the Auditors plus reimbursement of out of pocket expenses and applicable taxes."

By Order of the Board
For NOCIL Limited

V.K.Gupte
Company Secretary

Registered Office:

Mafatlal House, H. T. Parekh Marg,
Backbay Reclamation, Churchgate,
Mumbai – 400 020.
Date: 2 May 2008

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND TO VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND TO VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.

Proxies in order to be effective, must be received by the Company, at its Registered Office not less than 48 hours before the Meeting.

2. The Register of Members and the Share Transfer Books of the Company will remain closed from Monday, the 14 July 2008 to Tuesday, the 22 July 2008 (both days inclusive).

3. The dividend as recommended by the Directors, if approved, at the General Meeting, will be paid at par on or after 28 July 2008 :

a) to those Members who hold shares in physical form and whose names appear on the Company's Register of Members as holders of Equity Shares on Tuesday, 22 July 2008.

b) In respect of Shares held in electronic form, to the beneficial owners of the Shares as at the close of business hours on Friday, 11 July 2008 as per the details to be furnished by National Securities Depository Ltd and Central Depository Services (India) Ltd.

4. All the documents relating to the accompanying Notice are open for inspection on any working day during office hours at the Registered Office at Mafatlal House, H. T. Parekh Marg, Backbay Reclamation, Churchgate, Mumbai – 400 020.

5. Reappointment of Directors:

At the ensuing Annual General Meeting Mr. H.A. Mafatlal, Mr.V.P.Mafatlal and Mr. Rohit Arora are due to retire by rotation and have offered themselves for re-appointment.

Pursuant to Clause 49 of the Listing Agreement, the particulars of Mr. H.A.Mafatlal, Mr. V.P.Mafatlal and Mr. Rohit Arora are given below:

Mr. H.A.Mafatlal:	
Age and Qualifications	Mr. H.A. Mafatlal, 53 years, holds an Honours Degree in Commerce (1975) from the Sydenham College, Mumbai. In 1993, he attended the Advanced Management Programme (AMP) at the Harvard Business School, United States.
Expertise in Specific Functional Areas	Mr. H.A. Mafatlal is the Vice Chairman and Chief Executive of the Arvind Mafatal Group of Companies (AMG). AMG has major interests in Textiles (Mafatlal Industries Limited), Denim (Mafatlal Denim Ltd.), Information Technology (Eyeglobal Technologies Pvt. Ltd.), Rubber Chemicals (NOCIL Ltd.) and Fluorochemicals (Navin Fluorine International Ltd.). He is a past President and now a Managing Committee Member of the Millowners' Association, Mumbai (MOA). He is a Governing Council Member of the N.L. Dalmia Institute of Management Studies & Research. He was a Member on the Board of Governors of IIM Ahmedabad for 12 years (1995-2007), and a Vice-Chairman of The Cotton Textiles Export Promotion Council (TEXPROCIL). He is a Trustee of Shri Sadguru Seva Sangh Trust as well as BAIF Development Research Foundation.
Directorships held in other Companies	1. Mafatlal Industries Ltd. 2. Navin Fluorine International Ltd. 3. Mafatlal Denim Ltd. 4. Mafatlal Securities Ltd. 5. Mafatlal Services Ltd. 6. Mafatlal Asset Management Co. Ltd. 7. Cebon Apparel Pvt. Ltd. 8. Marigold International Pvt. Ltd. 9. eyeindia.com Pvt. Ltd. 10. Suvin Technologies Ltd. 11. Suvin Technologies Pte. Ltd., Singapore 12. Tropical Clothing Co. Pvt. Ltd. 13. Vibhadeep Investments & Trading Ltd.

Memberships / Chairmanships of Committees of other Companies	Mr. H.A. Mafatlal is a Chairman of Audit Committee of Vibhadeep Investments & Trading Ltd. He is also member of Share Transfer & Investor Grievances Committee of Mafatlal Industries Ltd.
Number of shares held in the Company	50,020
Disclosure of relationship	Mr. Hrishikesh A. Mafatlal and Mr. V.P.Mafatlal are related to each other.

Mr. V.P.Mafatlal:	
Age and Qualifications	Mr. V.P. Mafatlal, 34 years, holds a degree in B.Sc (Economics) from University of Pennsylvania, Wharton School, Class of 1995, Philadelphia (USA).
Expertise in Specific Functional Areas	Mr. V.P. Mafatlal is a Jt. Managing Director of Mafatlal Denim Limited and having business experience of more than 11 years in textile and chemicals.
Directorships held in other Companies	1. Mafatlal Services Ltd. 2. Mafatlal Denim Ltd. 3. Navin Fluorine International Ltd. 4. Mafatlal Fabrics Pvt. Ltd. 5. Mafatlal Impex Pvt. Ltd. 6. Suvin Technologies Ltd. 7. Suvin Technologies Pte. Ltd., Singapore 8. Tropical Clothing Co. Pvt. Ltd. 9. Sarvamangala Holdings Pvt. Ltd. 10. Eyeglobal Technologies Pvt. Ltd. 11. Marigold International Pvt. Ltd. 12. Myrtle Chemtex Trading Pvt. Ltd. 13. Mayflower Chemtex Trading Pvt. Ltd. 14. Cebon Apparel Pvt. Ltd. 15. Arvi Associates Pvt. Ltd. 16. Shripad Associates Pvt. Ltd. 17. Suremi Trading Pvt. Ltd. 18. eyeindia.com Pvt. Ltd. 19. Surekha Exim Pvt. Ltd.

Memberships / Chairmanships of Committees of other Companies	NIL
Number of shares held in the Company	NIL
Disclosure of relationship	Mr. V.P.Mafatlal and Mr. Hrishikesh A. Mafatlal are related to each other.

Mr. Rohit Arora:	
Age and Qualifications	Mr. Rohit Arora, 49 years, is a Fellow Member of the Institute of Chartered Accountants of India.
Expertise in Specific Functional Areas	Mr. Arora has over two decades of experience in Business Process Outsourcing, Investment Banking and Management Consultancy.
Directorships held in other Companies	1. A.R. Credit Information Services Pvt. Ltd. 2. ARCIS International Pvt. Ltd. (Mauritius) 3. ARCIS e Services Pvt. Ltd. 4. Asia Investments Pvt. Ltd. 5. EMR Technology Ventures Pvt. Ltd. 6. EMR International Holdings Pvt. Ltd. (Mauritius) 7. EMR Europe Ltd. (United Kingdom) 8. Henkel Teroson India Ltd. 9. Profile Estates Pvt. Ltd. 10. Purolator India Ltd.
Memberships / Chairmanships of Committees of other Companies	Mr. Rohit Arora is a member of Audit Committee of Henkel Teroson India Ltd. and Purolators India Ltd.
Number of shares held in the Company	NIL
Disclosure of relationship	Mr. Rohit Arora is not related to any Director of the Company.

By Order of the Board
For **NOCIL Limited**

V.K.Gupte
Company Secretary

Registered Office:

Mafatlal House, H.T. Parekh Marg,
Backbay Reclamation, Churchgate,
Mumbai 400 020.

Date: 2 May 2008

Directors' Report

Dear members

Your Directors present their Report together with the audited accounts of the Company for the year ended 31 March 2008.

Financial results

(Rupees in crore)

	For the year ended 31 March 2008	For the year ended 31 March 2007
Profit before depreciation, interest and taxation	25.32	42.10
Less: Depreciation	7.61	6.54
Less: Interest	1.10	0.31
Profit before tax	16.61	35.25
Provision for taxation (including wealth tax and fringe benefit tax)	(5.40)	(10.90)
Profit after tax	11.21	24.35
(Deficit) / Surplus brought from previous period	(5.56)	(20.51)
Proposed dividend	8.04	8.04
Tax on dividend	1.36	1.36
Balance carried to Balance Sheet	(3.75)	(5.56)

Performance of the Company

The turnover of the Company for the year under review was Rs.398 crore as compared to Rs.339 crore during the previous year ended 31 March 2007. The production of rubber chemicals and their intermediates was 36302 MT for the year under review, as against 29839 MT for the previous year.

During the year under review, the Company encountered adverse conditions in both its raw material prices and selling prices of its finished products. The operating margins therefore were under constant pressure throughout the year, more particularly due to the continued rampant dumping of products by Chinese and Korean competitors of the Company at the unrealistic lower prices in the domestic market of the Company. The appreciation of rupee by about 12% during the year also affected our net realisations on the exports front.

Further, due to steep increase in the international prices of crude oil, the prices of most of the major raw materials of the Company rose considerably, which resulted in very high input costs. The Company managed to mitigate some of these adverse factors by:

- Increasing production volumes by more than 20% ensuring better distribution of the fixed costs. It is pertinent to mention that over the past decade, the Company managed a double digit compounded annual growth in production of rubber chemicals.
- Improvements in the manufacturing processes of some of the key products, resulting in reduced usages of raw materials.
- Undertaking of various energy conservation and other efficiency measures, resulting in improvement in the consumption of utilities and other inputs.
- Initiation of anti-dumping proceedings against Chinese and Korean competitors. The anti-dumping authorities in their preliminary findings have notified anti-dumping duties on some of the products for which the Company had sought relief.

We are confident that with the above measures, the profitability of the Company should show improvement in the coming years.

Exports

Despite appreciation of the rupee by over 12% during the year under review, the Company was able to achieve record exports of Rs.170 crore, as against Rs.134 crore in the previous year. The export volumes were higher by about 33% compared to the previous year. The Company was able to record robust growth in most segments of exports. Most of the major international tyre customers continue to rely and do business with the Company for their regular requirements of rubber chemicals. The Company continues to maintain a very strong long-term relationship with all its domestic and international customers and they have accepted the status of the Company as one of the leading global manufacturers of rubber chemicals.

Project

The Company's new project at Dahej in Gujarat is progressing well. Most of the infrastructural progress is underway. The entire basic engineering package has been finalised and the contract for erection of the plant is expected to be awarded shortly. All the necessary clearances from the Central and the State Government authorities have been obtained.

Dividend

Your Directors have recommended payment of dividend of 5% (Re. 0.50 per share) same as for the previous year on the equity share capital of the Company. The dividend, together with the tax on dividend, will absorb a sum of Rs.940.56 lakh.

Change of name

Pursuant to the shareholders' approval obtained at the last Annual General Meeting, the name of the Company was changed from 'National Organic Chemical Industries Ltd.' to 'NOCIL Ltd' with effect from 14 September 2007.

Transfer of unpaid dividend to the Investor Education and Protection Fund

As per the provisions of Section 205C of the Companies Act, 1956, all unpaid dividends including and up to final dividend for the year 1997-98, and the fixed deposits lying unclaimed with the Company up to 31 March 2001, have been transferred to the Investor Education and Protection Fund.

Fixed deposits

As at 31 March 2008, fixed deposits amounting to Rs.0.34 crore have not been claimed by the depositors from the Company. The fixed deposits which have matured on or before 31 March 2001 but remained outstanding since then have been transferred to the Investor Education & Protection Fund as required under Section 205C of the Companies Act, 1956.

Insurance

The Company has taken all the necessary steps to insure its properties and insurable interests as required under the various legislative enactments. The Company has been successful in getting reduction in insurance premium due to the de-tariffing regulations.

Health safety and environment

The Company follows a well-established and responsible policy on health, safety and environment which every employee is responsible to follow and also carefully monitor various practices and procedures adopted. The incident-free sustainability of the business itself reflects the management's sincere commitment to implement the health, safety and environment policy in totality. Direct and indirect employees were trained in technical skills required to handle various hazardous chemicals, fire- fighting jobs and first aid cases. The Company conducts pre-employment and regular periodic medical checkups across all employees including contractors' employees to monitor their health on a regular basis.

Total Quality Management

The Company continues to be certified for ISO 9000 (quality management systems) and ISO 14001 (environment management systems) as well as for OHSAS – 18001 (Occupational Health & Safety System Standards). We are happy to mention that the Company enjoys an exemplary track record in all these three systems.

Risk assessment and management

The Company has a well defined risk management system in place as a part of good Corporate Governance practices. All the risks are identified at various departmental levels with suitable mitigation measures and are subjected to a quarterly review by the Risk Co-ordination Committee and the Audit Committee. The Company assigned the key risks to various risk owners responsible for mitigation plans and review of these risks from time to time.

There are adequate internal systems, controls and checks in place commensurate with the size of the Company and nature of its business. The management exercises financial control through a well defined budget monitoring process and other standard operating procedures. The Company appointed an external professional agency to conduct the internal audit programme and the findings and comments of the internal auditors are placed before the Audit Committee periodically.

Subsidiary companies

The Annual Reports of its three subsidiaries viz. Ensen Holdings Limited, Urvija Investments Limited and PIL Chemicals Private Limited for the year ended 31 March 2008 are disclosed separately and forms part of Annual Report of NOCIL Limited.

As required pursuant to Clause 32 of the Listing Agreement, the details of Loans / Advances made to and investments made in the subsidiaries have been furnished in Schedules forming part of the Accounts.

A statement pursuant to Section 212 of the Companies Act, 1956, relating to the Company's interest in the Subsidiary Companies is provided separately.

Consolidated financial statements

The consolidated financial statements are prepared by your Company in accordance with the applicable accounting standards issued by the Institute of Chartered Accountants of India and the same together with the Auditors' Report thereon, form part of the Annual Report.

Personnel

The relations between employees and the management during the year have been cordial. The long-term settlement with the employees' union was signed during December 2007. The Directors wish to thank all the employees for their continued support and co-operation during the year under review.

Stock options

In terms of your approval in the last Annual General Meeting held on 27 August 2007, read with the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, the Remuneration Committee of your Company granted 4,25,100 stock options to the senior management personnel during the year under review and are in force as on 31 March 2008.

Details required to be provided under the Securities and Exchange Board of India

(Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, are set out in Annexure I to this report.

Particulars of employees

Information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forms a part of this Report and will be sent on demand to the shareholders. Any shareholder interested in obtaining a copy of the said statement may write to the Company Secretary.

Directors

At the forthcoming Annual General Meeting, Mr. Hrishikesh A. Mafatlal, Mr. Vishad P. Mafatlal and Mr. Rohit Arora will retire by rotation pursuant to Article 145 of the Articles of Association of the Company. Being eligible, they offer themselves for reappointment.

Directors' responsibility statement

As required under Section 217(2AA) of the Companies Act, 1956, we hereby state that:

1. In the preparation of the annual accounts, all the applicable accounting standards have been followed along with proper explanations relating to material departures, if any.

2. The Directors selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 March 2008, and of the profit for the year ended on that date.

3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

4. The Directors have prepared the annual accounts on a going concern basis.

Report on Corporate Governance and Management Discussion and Analysis

As required under the Listing Agreement with stock exchanges, reports on Corporate Governance and Management Discussion and Analysis are attached and form a part of this Report.

Other particulars

Additional information on conservation of energy, technology absorption, foreign exchange earnings and outgo as required to be disclosed in terms of Section 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is set out in annexure II and form a part of this Report.

Auditors

The term of Messrs. Deloitte Haskins and Sells, Chartered Accountants, Mumbai as statutory auditors, expires at the conclusion of this Annual General Meeting and are eligible for reappointment. The Audit Committee recommended the reappointment of M/s. Deloitte Haskins and Sells, Chartered Accountants, as statutory auditors of the Company. The Auditors have given a certificate to the effect that the reappointment, if made, will be within the prescribed limits specified under Section 224 (1B) of the Companies Act,1956.

Acknowledgements

Your Directors acknowledge the continued support and co-operation from the bankers, Government bodies, business associates which helped the Company to sustain its growth.

For and on behalf of the Board of Directors

Hrishikesh A. Mafatlal
Chairman

Mumbai
Dated: 2 May 2008

Annexure I to the Directors' Report for the year ended 31 March 2008

Information to be disclosed under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999:

(a)	Options granted	4,25,100
(b)	The pricing formula	Market price on the day preceding the date of grant
(c)	Options vested	NIL
(d)	Options exercised	NIL
(e)	The total number of shares arising as a result of exercise of option.	NIL
(f)	Options lapsed	NIL
(g)	Variation of terms of options	None
(h)	Money realised by exercise of options	NIL
(i)	Total number of options in force	4,25,100
(j)	Employee-wise details of options granted to:	
	(i) Senior managerial personnel.	Given herein below*
	(ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year.	NIL
	(iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	NIL
(k)	Diluted earnings per share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earnings per Share'.	Same as basic
(l)	Impact of employee compensation cost calculated as difference between intrinsic value and fair market value in accordance with SEBI Guidelines on ESOP.	NIL
(m)	Weighted average exercise prices and weighted average fair values of options disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	
	(i) Weighted average exercise price.	Rs.23.40
	(ii) Weighted average fair value (black scholes model).	Rs.15.72
(n)	Description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted average information.	
	(i) Risk-free interest rate	8.24%

(ii) Expected life	10 years
(iii) Expected volatility,	54%
(iv) Expected dividend, and	2.14%
(v) The price of the underlying share in market at the time of option granted.	Rs.23.40

* Details of options granted to senior Managerial personnel

Name	Designation	No. of options granted
1. Mr. C.R. Gupte	Managing Director	2,10,000
2. Mr. S.R. Deo	Senior Vice President – Technical	78,700
3. Mr. R.M. Gadgil	Senior Vice President- Marketing	78,700
4. Mr. P. Srinivasan	Vice President – Finance	57,700
		4,25,100

Annexure II

Statement pursuant to 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 2008.

Conservation of energy

a) Energy conservation measures taken in the year 2007-08

1. Implementation of energy audit recommendations and thorough inspection and replacement of steam traps, insulation has resulted into savings of Rs.28 lakh per annum.
2. Optimisation of steam jet ejector design has resulted into energy savings of Rs.30 lakh per annum.
3. Use of solar energy for hot water resulted into savings of Rs.1 lakh per annum.
4. Conservation of water by collection and reuse resulted into savings of Rs.1.3 lakh per annum.
5. Use of variable frequency drives resulted into savings of Rs.1.2 lakh per annum.

b) Energy conservation measures to be taken in 2008-09

1. Solid fuel boiler to save Rs.4 crore per annum.
2. Installation of chilled water system will result into savings of Rs.15 lakh per annum.
3. Providing variable frequency drives will result into savings of Rs.5 lakh per annum.
4. Optimisation of steam jet ejectors will result into savings of Rs.15 lakh per annum.
5. Various water conservation measures will result into savings of Rs.2.4 lakh per annum.

FORM A

Disclosure of particulars with respect to conservation of energy

A. POWER AND FUEL CONSUMPTION		2007-08	2006-07
1. ELECTRICITY (FOR MANUFACTURING)			
(a) Purchased			
Unit	MWH	24,422	23,205
Total amount	Rs. lakh	1,006.82	966.13
Rate/Unit (average)	Rs./KWH	4.12	4.16
(b) Own generation (Through Diesel Generator)			
Unit	MWH	426	4
Unit/MT of Diesel Oil	MWH	4.10	2.95
Fuel Cost/Unit	Rs./KWH	9.26	9.50
Through Steam/Turbine Generator		NIL	NIL
2. Coal		NIL	NIL
3. Furnace oil			
Quantity	MT	1,035.01	1,108.11
Total Cost	Rs. lakh	223.89	196.90
Average rate	Rs./MT	21,632	17,769
4. Other / internal generation			
(a) Low Sulphur Heavy Stock (LSHS)			
Quantity	MT	12,773.15	11,209.65
Total Cost	Rs. lakh	2,605.82	1,942.02
Average Rate	Rs. /MT	20,401	17,325
(b) Internally Generated Fuel		NIL	NIL

B. Consumption per unit of Production

Electricity	MWH/MT	0.77	0.87
Fuel/LSHS	MT/MT	0.40	0.42
Furnace Oil	MT/MT	0.03	0.04

FORM B

Disclosure of particulars with respect to technology absorption, adoption and innovation

A. Research and Development

1. Specific areas in which R&D is carried out by the Company

i) Continuous development in the existing processes to achieve improvements in the following areas :

a) Product quality

b) Raw material consumptions

c) Production rates

d) Energy optimisation

e) Pollution abatement by converting waste stream into value-added products.

ii) Development of new products as per the emerging needs of national and international customers.

iii) Explore the avenues for continuous improvement in cost position of existing product range either by process change or by backward integration.

iv) Translating all development into commercial ventures to meet the needs of customer ensuring that the technologies are eco-friendly.

2. Benefits derived as a result of R&D

i) Higher production rate in the same set of plant and machinery

ii) Improved yields, better quality and lower energy consumption.

iii) Improvements in waste management.

3. Future plans

i) Development of new generation product as per the emerging national and international environmental standards.

ii) Development of new technology to create a long term technological advantage in the business.

iii) Eco-friendly technologies.

4. Expenditure on R&D	2007-08 (Rs. /lakh)	2006-07 (Rs. /lakh)
Capital	41.02	71.31
Recurring	218.09	193.13
Total	259.11	264.44
Total R&D expenditure as percentage of total turnover	0.65	0.78

B. Technology absorption

1. Efforts in brief made towards technology absorption and innovation

(i) Understanding the needs of the rubber industry with respect to the new product application and quality requirements.

(ii) Incorporating additional features in the new products to offer improved rubber processing and performance benefits.

(iii) Development of product manufacturing technology in the Pilot Plant and translating the same into setting up the production plant.

2. Benefits derived as a result of above efforts

Quick acceptance, approval and commercialisation of the new products in the rubber industry.

C. Foreign exchange earnings and outgo

a) Activities relating to export; initiatives taken to increase exports, development of new export market and services, and export plans:

Please refer to the para on Exports in the main report.

b) Total foreign exchange used and earned:

Total foreign exchange used	Rs. in crores
i) Raw materials, stores and spare parts, Capital goods and other products	115.32
ii) Expenditure in foreign currency	2.17
Foreign Exchange Earned	
Export of goods on FOB basis, Commission and Service Charges	169.34

For and on behalf of the Board of Directors

Mumbai
Dated: 2 May 2008

Hrishikesh A. Mafatlal
Chairman

Report on Corporate Governance

Company's philosophy on Corporate Governance

The Company's policy on Corporate Governance is based on the principles of full disclosure, fairness, equity, transparency and accountability in the various aspects of its functioning, leading to the protection of stakeholders' interest and an enduring relationship with stakeholders. The management's commitment to these principles is reinforced through the adherence of all Corporate Governance practices embodied in the provisions of Clause 49 of the Listing Agreement. The Company also adopted the code of conduct for the Directors and senior management personnel. It also has a Code for Prevention of Insider Trading for the Directors and the designated employees of the Company.

1. Policies and procedures

The Company's well-structured systems and procedures for conducting day-to-day functioning of various departments comprise the following:

i. The Company adopted its accounting policies in line with the accounting standards and such other relevant guidelines, as are prescribed by the Institute of Chartered Accountants of India.

ii. The Company possesses a well-documented framework on risk management, which is subjected to a quarterly review by the concerned departments, and a report on the status of the various risks identified in the framework is placed before the Audit Committee.

iii. The Personnel Policy Manual prescribes the policy on recruitment, perquisites, allowances, and benefits due to each employee of the Company.

iv. The Contract Policy formulates the procedure for placement of contracts by the various departments and contains standard terms and conditions for placement of orders on contractors.

v. The Company issued authority sheets to the senior management to help them supervise the financial matters and exercise control over the expenditure incurred in its day-to-day operations.

vi. The Company places high priority on the health and safety of its employees and of other persons working in its plants and gives due regard to environment conservation, and declared a well-defined policy on health, safety and environmental conservation.

vii. The Company follows a stringent quality policy to maintain product quality in line with the requirements of its internal and external customers.

2. Board of Directors

The Board has a Non-Executive Chairman and the number of Independent Directors is more than 1/3rd of the total strength of Directors. The composition of the Board is in conformity with Clause 49 of the Listing Agreement.

The management of the Company is entrusted in the hands of the key management personnel, headed by the Managing Director who functions under the supervision and control of the Board. The Board reviews and approves strategies and oversees the actions and results of the management to ensure that the long-term objectives of enhancing stakeholder value are met.

Mr. H.A. Mafatlal, Chairman and Mr. Vishad P. Mafatlal, Director belong to the promoter group and are related to each other.

None of the Independent Director has any other material pecuniary relationship or transaction with the Company, its promoters, its Directors, its senior management which, in their judgment, would affect their independence.

All Directors are professional with respective expertise and experience in general Corporate Management practice, finance and legal field. Mr. C.R. Gupte, Managing Director and Mr. V.R. Gupte, Director are related to each other. None of the Directors are related to each other than as stated above.

The broad composition of the Board and details of attendance of each Director at the Board meetings, Committee meetings and at the last Annual General Meeting are as under:

Sr. No.	Name of Director	Category of Director	No. of Board meetings attended	No. of Audit Committee meetings attended	Remuneration Committee	Attendance at last AGM
1.	Hrishikesh A. Mafatlal @	Chairman – Non-Executive, *Promoter Group*	7	–	–	Yes
2.	Vishad P. Mafatlal @	Non-Executive, *Promoter Group*	7	–	–	Yes
3.	Rohit Arora +$	Non-Executive Independent	5	2	3	Yes
4.	Berjis Desai @	Non-Executive Independent	4	–	–	No
5.	V.R. Gupte +	Non-Executive	5	3	–	Yes
6.	N. Sankar +$	Non-Executive Independent	7	4	3	Yes
7.	C.L.Jain +	Non-Executive Independent	6	3	–	Yes
8.	D. N. Mungale +	Non-Executive Independent	6	2	1	Yes
9.	C.R. Gupte @	Managing Director	7	–	–	Yes

\+ *Members of Audit Committee* @ *Members of Investors' Grievance Committee* $ *Members of Remuneration Committee*

The Company has clearly defined the role, functions, responsibility and accountability of the Board of Directors. In addition to its primary role of monitoring corporate performance, the major functions of the Board comprise:

- Approving corporate philosophy;
- Formulating strategic and business plan;
- Reviewing and approving financial plans and budgets;
- Monitoring corporate performance against strategic and business plans;
- Ensuring ethical behaviour and compliance with laws and regulations;
- Reviewing and approving borrowing limits.

During the year under review, seven meetings of the Board were held in Mumbai on the following dates:

4 June 2007, 26 July 2007, 27 August 2007, 25 October 2007, 20 December 2007, 22 January 2008 and 25 March 2008.

The gap between two Board meetings did not exceed four months.

The forty-fifth Annual General Meeting was held on 27August 2007.

The number of directorships and Committee memberships held by each Director in public limited companies (including NOCIL and excluding private and foreign companies) and the number of committees, if any, of which each of them is a Chairman, are given in the following statement:

Sr.No.	Name of the Director	Number of directorships	Number of Board Committee membership#
1.	Hrishikesh A. Mafatlal	9 (5)	3 (1)
2.	Rohit Arora	3	3
3.	Berjis Desai	12 (1)	9 (2)
4.	V.R. Gupte	2	2
5	C. L. Jain	10	8 (3)
6	Vishad P. Mafatlal	4	1
7	D. N. Mungale	9	10 (4)
8.	N. Sankar	4 (2)	2 (1)
9.	C.R. Gupte	3	1

#Membership/Chairmanship of Audit Committee and Shareholders'/Investors' Grievance Committee is considered.

(Figures in bracket indicate number of chairmanships held by the Director)

Pursuant to requirements of Clause 49 of Listing Agreements, none of the Company's Directors is a member of more than 10 committees or Chairman of more than five committees across all companies in which he is a Director.

3. Audit Committee

The Audit Committee was constituted in 1987 for reviewing the internal audit reports and the annual accounts.

Mr. N. Sankar is the Chairman of the Audit Committee. Mr. Rohit Arora, Mr. V.R. Gupte, Mr. C.L. Jain and Mr. D.N. Mungale are other four members of the Audit Committee. These Directors possess the requisite knowledge of corporate finance, accounts and Company law.

Role of Audit Committee

The terms of reference of the Audit Committee are in accordance with Clause 49 of the Listing Agreement, entered into with stock exchanges of India, and comprise the following important points:

i) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

ii) Recommending to the Board, the appointment, re-appointment and if required, replacement and removal of the statutory auditors and fixation of the audit fees.

iii) Approval of payment to statutory auditors for any other services rendered by them.

iv) Reviewing the annual financial statements with the management before submission to the Board for approval, with particular reference to:

a) Matters required to be included in the Director's Responsibility Statement as a part of the Board's report in terms of Section 217 (2AA) of the Companies Act, 1956.

b) Changes, if any, in the accounting policies and practices and reasons for the same.

c) Major accounting entries involving estimates based on the exercise of judgment by the management.

d) Significant adjustments to be made in the financial statements arising out of the audit findings.

e) Compliance with listing and other legal requirements relating to financial statements.

f) Disclosure of any related party transactions.

g) Qualifications in the draft audit report.

v) Reviewing with the management, the quarterly financial statements before submission to the Board for approval.

vi) Reviewing the performance of statutory and internal auditors and adequacy of internal control systems with the management.

vii) Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.

viii) Discussion with internal auditors, any significant findings and follow-up thereon.

ix) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud, irregularity or failure of internal control systems of a material nature and reporting the matters to the Board.

x) Discussions with the statutory auditors before audit commences about the nature and scope of audit as well as post-audit discussions to ascertain any area of concern.

xi) Investigations into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

xii) Carrying out any other function mentioned in the terms of reference of the Audit Committee.

During the year, four meetings of the Audit Committee were held in Mumbai, which are as follows:

Dates of Audit Committee meetings	Number of Committee members present
4 June 2007	3
26 July 2007	3
25 October 2007	5
22 January 2008	3

The Board of Directors appointed M/s. Borkar & Muzumdar, Chartered Accountants, as internal auditors to conduct the internal audit of the various records of the Company. The periodical reports of the said internal auditors were regularly placed before the Audit Committee, along with the comments of the management on the action taken, to correct any observed deficiencies on the workings of the various departments.

The Audit Committee also assures the Board about the adequate internal control procedures and financial disclosures commensurate with the size of the Company and in conformity with the requirements of Listing Agreement of the stock exchanges.

4. Share Transfer Committee

The members of the Share Transfer Committee are Mr. Berjis Desai, Chairman, Mr. Hrishikesh A. Mafatlal, Mr. Vishad P. Mafatlal and Mr. C.R. Gupte. The Committee approves the transfer of shares in physical form, issue of duplicate share certificates and requests regarding transmission of shares received from the heirs of the deceased shareholders. The Committee meets at least twice a month to approve the transfer requests received from the investors during the previous week to ensure prompt delivery of securities to the shareholders. The share department verifies the signature of the transferor on the transfer deed with the specimen signature registered with the Company and recommends the transfer of shares to the Committee.

5. Investors' Grievance Committee

The present members of the Committee comprise Mr. Berjis Desai, Chairman, Mr. Hrishikesh A. Mafatlal, Mr. Vishad P. Mafatlal and Mr. C.R. Gupte. The Committee meets once in every month and reviews the complaints received by the Company from its investors and the action taken by the management to sort out these complaints.

The Company received 439 complaints from shareholders in 2007-08 and all were resolved to the satisfaction of the investors.

As on 31 March 2008, there were three transfers and 13 demat cases pending. These demat and transfer requests were processed and approved on 8 and 16 April 2008, respectively. Most of the complaints were routine in nature and comprised change of address, non-receipt of dividend warrants, revalidation of dividend warrants, etc.

6. Remuneration Committee

The Board of Directors at its meeting held on 27 August 2007, reconstituted the Remuneration Committee in view of resignation from Mr. D.N. Mungale. The present members of the reconstituted committee comprise Mr. Rohit Arora, Chairman and Mr. N. Sankar. The remuneration policy of the Company is reviewed by the Committee members on the basis of its performance from time to time in line with market trends to attract the right talent. During the year, three meetings of the Remuneration Committee were held on 9 May 2007, 27 August 2007 and 25 March 2008 and the Committee approved ESOS scheme, remuneration to the senior management personnel, grant of Employee Stock Options to designated employees and determination of performance bonus to the Managing Director. The said Committee meetings were attended by Mr. Rohit Arora and Mr. N. Sankar. The details of the Remuneration Committee meetings held are given below:

S. No.	Date of meeting	No. of members present
1.	9 May 2007	2
2.	27 August 2007	3
3.	25 March 2008	2

7. Remuneration to Directors

(Rupees in Lakhs)

Name of the Director	Salary and allowances	Perquisites	Contribution to funds	Total
Mr. C. R. Gupte	65.00	14.35	17.73	97.08

The Remuneration Committee decided to offer Stock Options Scheme amounting to 210,000 equity stock options. The same is yet to be vested as at 31 March 2008.

The appointment of the Managing Director is for a period of three years from 1 April 2006 and may be terminated by either party giving six months notice in writing, or the Company paying six months salary in lieu thereof. There is no separate provision for payment of severance fees.

The Company paid Rs.6,80,000 as sitting fees to the Non-Executive Directors during the financial year 2007-08.

8. Means of communication

The Board takes on record the unaudited quarterly financial results in the format prescribed by Clause 41 of the Listing Agreement with the stock exchanges within one month of the close of the quarter, and announces the results to all the stock exchanges where the shares of the Company are listed. The quarterly unaudited financial results are also published in the Economic Times / Free Press and Maharashtra Times / Navshakti within 48 hours of the conclusion of the meeting of the Board in which they are approved.

I. The quarterly results are then submitted to the Statutory Auditors of the Company for a limited review and the report of the Auditors is also filed with all stock exchanges after it is approved by the Board of Directors.

II. The quarterly results are not sent to each shareholder as they are intimated through press.

III. The Company's website www.natocil.com provides information about the Company to its existing and prospective stakeholders. The quarterly results are displayed on the Company's website along with other relevant information.

IV. In line with the Listing Agreement, the Company has created a separate e-mail address viz. investorcare@nocilindia.com to receive complaints and grievances of the investors.

9. Management Discussion and Analysis forms a part of this Annual Report

10. Compliance Officer

Mr. U.M. Karnik, Vice President-Legal and Company Secretary was Compliance Officer of the Company till 11 April 2008, the day on which he superannuated. The Board of Directors appointed Mr. V.K. Gupte, as General Manager-Legal and Company Secretary w.e.f. 12 April 2008 and designated as the Compliance Officer w.e.f. 2 May 2008.

11. General meetings

The venue and timings of the last three Annual General Meetings are given below:

Financial Year	Date	Location	Time
2003 - 2005	15 September 2005	Patkar Hall,Mumbai	4 P.M.
2005 – 2006	31 July 2006	Patkar Hall, Mumbai	4 P.M
2006 - 2007	27 August 2007	Patkar Hall, Mumbai	4 P.M.

The number of special resolutions, which were passed in the last three Annual General Meetings, are as follows:

Date of Annual General Meeting	No. of special resolutions
15 September 2005	3
31 July 2006	2
27 August 2007	2

No special resolutions were passed through postal ballot at the last Annual General Meeting, nor any proposal at the ensuing Annual General Meeting.

12. Disclosures

A. Disclosure on materially significant related party transactions i.e. transactions of the Company of material nature with its promoters, Directors or the management, their subsidiaries or relatives, etc. who may have potential conflict with the interests of the Company at large:

- The Company does not have any related party transaction, which may have potential conflict with the larger interests of the Company. The disclosures of transactions with the related parties entered into by the Company in the normal course of business are given in the Notes to Accounts.

B. Details of non-compliance by the Company, penalties, strictures imposed on the Company by the Stock Exchange or SEBI or any other statutory authority on any matter related to capital markets, during the last three years:

- There were no instances of non-compliance of any matter related to the capital markets during the last three years and the Company has complied with the requirements of regulatory authorities on capital markets.

C. Details of compliance with mandatory requirements:

- All the mandatory requirements of Clause 49 of the Listing Agreement have been complied with by the Company.

13. Declaration of compliance with the code of conduct /ethics:

All the Directors and senior management have affirmed compliance with the code of conduct/ethics as approved and adopted by the Board of Directors.

14. General shareholders' information

a) Registered Office	:	Mafatlal House, H.T. Parekh Marg, Backbay Reclamation, Mumbai –400 020.
b) Annual General Meeting		
Date and time	:	22 July 2008 at 4 p.m.
Venue	:	Patkar Hall, S.N.D.T. Women's University 1, Nathibai Damodar Thackersey Road, Mumbai – 400 020.
c) Financial calendar 2008–09 (tentative)		
Financial reporting:		
Quarter ending on June 2008	:	end of July 2008
Half year ending on September 2008	:	end of October 2008
Quarter ending on December 2008	:	end of January 2009
Year ending on March 2009	:	May 2009
Annual General Meeting (2008-09)	:	July/ August 2009

d) Date of book closure

Monday, 14 July 2008 to Tuesday, 22 July 2008 (both days inclusive)

Dividend payment date

On or after 28 July 2008 (If declared at forthcoming Annual General Meeting)

e) Listing on Stock Exchange

Equity shares of the Company are listed on Bombay Stock Exchange Limited (Stock Code: 500730) and National Stock Exchange of India Limited (Scrip Code: NOCIL).

15. Demat information

The shares of the Company were brought under compulsory demat mode with effect from 29 May 1999. As on 31 March 2008, about 96.01% shareholding representing 154373593 shares of the Company has been converted into demat form. The Company has executed agreements with both NSDL and CDSL for demat of its shares.

ISIN numbers in NSDL and CDSL for equity shares: INE163A01018

16. Stock market data

The monthly high/low quotation of shares traded on Bombay Stock Exchange and National Stock Exchange is as follows:

Bombay Stock Exchange Ltd.			National Stock Exchange Ltd.		
Month	High	Low	Month	High	Low
April 2007	25.65	20.35	April 2007	25.55	20.40
May 2007	29.65	23.05	May 2007	29.65	23.10
June 2007	29.20	23.65	June 2007	29.15	23.80
July 2007	26.65	22.75	July 2007	26.90	22.75
August 2007	27.40	21.55	August 2007	27.35	21.00
September 2007	40.25	26.40	September 2007	40.15	26.30
October 2007	39.15	28.00	October 2007	39.20	26.35
November 2007	58.45	32.30	November 2007	58.80	32.20
December 2007	58.80	42.50	December 2007	59.25	42.00
January 2008	67.95	33.85	January 2008	69.90	33.75
February 2008	40.10	29.35	February 2008	39.90	29.40
March 2008	30.60	19.00	March 2008	30.60	19.05

17. Registrar and transfer agents :

M/s Sharepro Services (India) Pvt. Ltd. act as Registrar and Transfer Agents for the Company. M/s. Sharepro Services has a dedicated management team comprising professionally qualified managers; headed by Mr. G.R. Rao who is a qualified Company Secretary possessing 26 years experience in handling the share transfer work. The organisation has a proven track record and is committed to maintain quality of service of the highest standards. Sharepro Services has demonstrated high volume handling capacity with a commendable flexibility to quickly upgrade the capacity at a short notice.

18. Distribution of shareholding as on 31 March 2008

No. of equity shares held	No. of shareholders	Percentage of shareholders	No. of shares held	Percentage of shareholding
Up to 500	130,085	82.84	23,670,596	14.72
501 to 1000	15,268	9.72	13,061,934	8.12
1001 to 2000	6,231	3.97	9,915,258	6.17
2001 to 3000	1,935	1.23	5,092,893	3.17
3001 to 4000	865	0.55	3,197,194	1.99
4001 to 5000	855	0.55	4,130,717	2.57
5001 to 10000	980	0.62	7,523,197	4.68
10001 and above	808	0.52	94,195,191	58.58
Total	**157,027**	**100.00**	**160,786,980**	**100.00**

19. Shareholding pattern as on 31 March 2008

Category	No. of shares held	Percentage of shareholding
Indian promoters	51,069,239	31.76
Mutual funds	10,970	0.01
Banks, financial institutions, insurance companies, etc.	11,560,028	7.19
NRI/OCBs /FIIs	4,265,796	2.65
Private corporate bodies	18,932,434	11.77
Indian public	74,948,513	46.62
Total	**160,786,980**	**100.00**

20. Performance of NOCIL's equity shares relative to BSE sensitive index

Particulars	BSE Sensex (Rs.)	NOCIL share price
As on 1 April 2007	13,072	Rs.21.10
As on 31 March 2008	15,644	Rs.26.55
increase/ (decrease) at the year end.	19.68%	25.83%

21. Plant

C-37, Trans Thane Creek Industrial Area
Off Thane Belapur Road,
Navi Mumbai - 400 705.
Telephone number: 27672735

22. Investor correspondence

For any assistance regarding dematerialisation of shares, share transfers, transmissions, change of address, non-receipt of dividend, interest and any other query relating to the shares of the Company, please write to:

Sharepro Services (India) Pvt. Ltd.,
Satam Estate, 3rd Floor, above Bank of Baroda, Cardinal Gracious Road,
Chakala, Andheri (East),
Mumbai – 400 099.
Telephone no: 6772 0300, 67720348, 64420351, 28215168
Fax no: 28375646
Email: sharepro@shareproservices.com

ANNEXURE TO CORPORATE GOVERNANCE REPORT

Declaration regarding affirmation of code of conduct

In terms of the requirements of the amended Clause 49 of the Listing Agreement, this is to confirm that all the members of the Board and the senior management personnel have affirmed compliance with the code of conduct for the year ended 31 March 2008.

Mumbai
Dated: 2 May 2008

C.R. Gupte
Managing Director

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANACE

To the Members of **NOCIL Limited** (formerly known as National Organic Chemical Industries Limited)

1. We have examined the compliance of conditions of Corporate Governance by NOCIL Limited (the Company) for the year ended on 31 March 2008 as stipulated in Clause 49 of the listing agreement of the Company with the stock exchanges in India.

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

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

4. 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 **Deloitte Haskins & Sells**
Chartered Accountants

P. B. Pardiwalla
Partner
(Membership No. 40005)

Mumbai,
Dated: 2 May 2008

Management discussion and analysis

1. Industry structure and developments

The Company is engaged in the manufacture and sale of rubber chemicals and has its manufacturing facilities in the TTC industrial area (Thane) and dedicated ancillary manufacturing facilities in the GIDC industrial area (Vapi), including one such facility through its wholly owned subsidiary PIL Chemicals Private Limited. The Company's regional sales offices are located in Mumbai, Delhi, Chennai and Kolkata.

The products manufactured by the Company are used by the tyre industry and other segments of the rubber industry. These chemicals not only accelerate the vulcanisation of rubber, but also extend the life of rubber products. The Company is constantly working towards achieving further improvement in the technological and operational efficiency of the existing products in their application. It also strives to develop new products to increase its participation in the market and enlarge its product range.

2. Opportunities and threats

The global demand for tyres and rubber-based products is growing at a healthy rate. A number of tyre manufacturers are concentrating their manufacturing locations in Asia (predominantly China, South East Asia and India) on account of the growing automobile markets in these countries. As a result, the Company is favourably positioned to address the potential demand, focusing on capacity expansion and new product development. Moreover, the Company has been leveraging alternative technologies to improve its operational efficiencies even further.

In addition to the above, the Company acquired a 60-acre plot of land at Dahej near Bharuch in the designated chemical zone of the Gujarat Industrial Development Corporation, in view of its future expansion plans. This location is ideal from the Company's point of view in many respects, among which the most important is the proximity to major raw material suppliers. The presence of multiple input sources around Dahej will enable the Company to mitigate the risk arising out of single-source dependence. Cost optimisation across a larger volume will also enhance competitiveness. Most of the infrastructural jobs such as land filling, roads, etc. are underway. The entire basic engineering package is finalised and the contract for plant erection is expected to be awarded shortly. All the necessary clearances from the Central and the State Government authorities have been obtained. The first phase of this project is expected to involve a capital expenditure of Rs.150 crore.

The hardening of input prices as well as indiscriminate dumping by various suppliers, during the year particularly from China and South Korea caused considerable rise in rubber chemical imports and also affected the margins in 2007-08. Rupee appreciation has affected our exports margins.

3. Product-wise performance

During the year, the total sales volume increased by 23% to that of the previous year. On the exports front, the sales volume registered positive growth of 33% as compared to the previous year. The Company initiated anti-dumping proceedings against its Chinese/Korean competitors in connection with their rampant dumping into India. The Government authorities, after conducting due verifications have levied certain anti-dumping duties as per their preliminary findings. The steep increase in their cost, coupled with stricter enforcement of environmental issues by the Chinese Government and appreciation of the Chinese currency will also put considerable pressure on the Chinese competitors to bring about the much-needed correction in their pricing of rubber chemicals in the coming year.

4. Business outlook

The Company is optimistic of capitalising on a significant growth in the global demand for rubber chemicals through its wide marketing network, multiple manufacturing locations and strong brand. It has already embarked on capacity expansion and is engaged in the manufacture of key products for the Company's major customers. The expansion undertaken at the new site in Dahej in Gujarat is in progress, enabling the Company to enhance its current global market share substantially. This is therefore being pursued vigorously by the Company.

The Company has also significantly strengthened its field of Research and Development and Technology. It therefore is very well poised to leverage this significant advantage in its growth plans.

5. Risks and concerns

The Company's risk management system identified various risks, collated at the departmental level and subjected to a quarterly review by a Risk Co-ordination Committee and the Audit Committee of the Board. Steep rise in international crude prices coupled with the hardening of prices of certain commodities and major raw materials resulted in very high input costs of the Company. Declining realisations emerged as a concern when foreign manufacturers continued to dump rubber chemicals into India, even as the Government imposed anti-dumping duties on European and American competitors to counter the phenomenon. Thereafter, the imports got diverted to China and South Korea - outside the purview of the existing anti-dumping measures initiated by the Indian Government - in large volumes and at unrealistically low prices. The strengthening of the rupee against the US dollar is making the import of rubber chemicals in India even cheaper, further impacting margins of the Company. The reduction in customs duty from 12.5% to 7.5% also affects its margins. Rupee appreciation too affects our margins in the export market.

6. Financial performance – operational performance

During the year under review, the Company reported a profit before tax of Rs.16.61 crore compared with Rs.35.25 crore in 2006-07. Although production volume increased by 22% and sales volume by 23%, realisations declined mainly due to rampant dumping by our competitors. Due to increase in the level of overall operations, the Company availed a portion of its fund-based working capital facilities out of the sanctioned limits by its bankers. The interest costs as a whole for the year remained at about Rs.1.10 crore, which constitutes about 0.28% of the gross turnover. In view of the attractive debt/equity ratio coupled with no encumbrances on the fixed assets, the management is confident of mobilising necessary term loans to commission its greenfield Dahej project.

7. Internal control systems

The Company has in place adequate internal control systems and procedures covering all the financial and operating functions. These have been designed to provide adequate assurance to the management regarding compliance with the accounting standards by maintenance of appropriate accounting records, monitoring the economy and efficiency of operations, protecting the assets of the Company from losses and ensuring the reliability of financial and operational information through proper compliance with the statutory enactments and its rules and regulations. Some of the significant features of the internal control systems and procedures are as follows:

- Appropriate delegation of authority limits with responsibility for incurring capital and revenue expenditures.
- Approval and monitoring of annual revenue budget for all operating and service functions.
- Procedure for approval of capital budget proposals and monitoring the expenditure on such acquisitions.
- Formulating and reviewing the annual and long-term business plans.
- A comprehensive code of conduct for ensuring the integrity of financial reporting, ethical conduct, regulatory compliances and conflict of interest, if any.
- Review of the operations and financial plans in key business areas through monthly management meetings.
- Appointment of an independent consultant for conducting internal audit for reporting to the management and the Audit Committee, the adequacy and compliance with the internal controls and the efficiency and effectiveness of operations.

The Audit Committee of the Board of Directors which is functional since 1987 regularly reviews the findings of the internal auditors, adequacy of internal controls, compliance with the accounting standards, as well as recommends to the Board the adoption of the quarterly and annual results of the Company and appointment of auditors. The Audit Committee also reviews the related party transactions, entered into by the Company during each quarter.

8. Material developments in human resources

The Company had 205 management employees and 240 non-management employees across its locations towards the close of the financial year under review. Industrial relations remained cordial during the year. The long-term settlement with the non– management employees was finalised in December 2007. A growing service sector (BPOs, KPOs and IT companies) in India resulted in a declining availability of skilled technical professionals, which is expected to improve due to the recessionary trend prevailing in the US.

9. Cautionary statement

Certain statements in the Management Discussion & Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be 'forward looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ from those express or implied. Important factors that could make a difference to the Company's operations include raw material availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries in which business is conducted, and other incidental factors.

Financial section

To the Members of
NOCIL Limited (Formerly known as National Organic Chemical Industries Limited)

1. We have audited the attached Balance Sheet of NOCIL Limited as at 31 March 2008 and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditors' Report) Order, 2003, issued by the Central Government in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure, a Statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

   a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.

   b) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books.

   c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the above books of account.

   d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub - section (3C) of Section 211 of the Companies Act, 1956.

   e) On the basis of written representations received from the Directors as on 31 March 2008 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31 March 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 on the said date.

   f) In our opinion and to the best of our information and according to the explanations given to us, the accounts read together with the 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 the Balance Sheet, of the state of affairs of the Company as at 31 March 2008;

      ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

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

For **Deloitte Haskins & Sells**
Chartered Accountants

P. B. Pardiwalla
Partner
(Membership No.40005)

Place : Mumbai
Date : 2 May 2008

(Referred to in paragraph 3 of our report of even date)

1. The nature of the Company's business / activities during the year is such that clauses (i-c), (iii), (viii), (x), (xiii), (xiv), (xv), (xviii), (xix) and (xx) of the Order are not applicable to the Company.

2. In respect of its fixed assets:
   a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
   b) Some of the fixed assets have been physically verified during the year by the management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us no material discrepancies were noticed on such verification.

3. In respect of its inventories:
   a) As explained to us, inventories were physically verified during the year by the management at reasonable intervals.
   b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
   c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.

4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for sale of goods. The nature of the Company's activities is such that there is no sale of services during the year. We have not observed any continuing failure to correct major weaknesses in such internal control system.

5. In respect of contracts or arrangements to be entered in the register maintained in pursuance of section 301 of the Companies Act, 1956, to the best of our knowledge and belief and accordingly to the information and explanations given to us:
   a) The particulars of contracts or arrangements that needed to be entered in the register, maintained under the said section have been so entered.
   b) Where each of such transactions is in excess of Rs. 5 lakhs in respect of each party, the transaction have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.

6. The Company does not accept and renew fixed deposits from public. The Company however has old unclaimed balances of fixed deposits in respect of which in our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956, and the Companies (Acceptance of Deposits) Rules, 1975.

7. In our opinion, the internal audit function carried out during the year by a firm of Chartered Accountants appointed by the management is commensurate with the size of the Company and the nature of its business.

8. In respect of its statutory dues according to the information and explanations given to us:
   a) (a) The Company has been generally regular in depositing undisputed statutory dues, including Provident Fund, Income Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess, Investor Education and Protection Fund, Employee State

Insurance, Sales Tax and any other material statutory dues with the appropriate authorities during the year.

b) Details of disputed statutory dues which have not been deposited with the appropriate authority as at 31 March 2008 are given below:

Name of Statute	Nature of the dues	Amount (Rs. in lakhs)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act, 1961	Excise Duty	29.51	1991 to 1999, 2005	Commissioner - Central Excise Appeal
		7.14	1994 to 1996	Assisstant Commissioner
		63.94	1995-1998	Deputy Commissioner
		22.87	1992 and 1997	CESTAT
		5.78	2001	High Court
Customs Act, 1962	Custom Duty	718.77	1998 to 2000 & 2004	CESTAT
		1.64	2004-05	Custom (Appeal)
Central Sales Tax Act, 1956	Sales Tax	364.35	1995 to 1999 and 2003	Appellate Tribunal
and Various State Sales		274.29	1984 to 1990 and	Deputy Commissioner
Tax Acts			1994 to 2002	Sales Tax Appeals
		140.56	1987 to 1992, 1995 to 2004	Assistant Commissioner/ Assessing officer

9. In our opinion the Company has not defaulted in repayment of dues to the banks and financial institutions.

10. In our opinion the Company has maintained adequate documents and records in respect of loan granted in earlier years on the basis of security by way of pledge of shares.

11. To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loan obtained was, prima facie, applied by the Company during the year for the purposes for which the loan was obtained.

12. According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, funds raised on short-term basis have, prima facie, not been used during the year for long-term investment.

13. To the best of our knowledge and belief and according to the information and explanations given to us, no material fraud on or by the Company was noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants

P. B. Pardiwalla
Partner
(Membership No.40005)

Place : Mumbai
Date : 2 May 2008

Balance Sheet

(Rs. in Lakhs)

As at	Schedule	31.03.2008	31.03.2007
SOURCES OF FUNDS			
Shareholders' Funds:			
1. a) Capital	1	16,078.70	16,078.70
b) Reserves and surplus	2	16,417.67	17,031.68
		32,496.37	33,110.38
2. Loan Funds:			
a) Secured loans	3	1,811.81	19.94
b) Unsecured loan	4	2,285.41	–
		4,097.22	19.94
3. Deferred tax liability (net)		1,444.69	912.13
Total		**38,038.28**	**34,042.45**
APPLICATION OF FUNDS			
1. Fixed Assets:			
a) Gross Block	5	31,206.58	29,497.82
b) Less: Accumulated Depreciation		15,007.28	13,636.61
c) Net block		16,199.30	15,861.21
d) Capital work-in-progress		1,249.87	1,902.07
		17,449.17	17,763.28
2. Investments	6	1,444.31	1,503.31
3. Current assets, Loans and Advances:			
a) Inventories	7	7,463.29	7,171.09
b) Sundry debtors	8	8,168.97	6,813.15
c) Cash and bank balances	9	811.33	1,871.75
d) Loans and advances	10	11,723.10	7,698.23
		28,166.69	23,554.22
Less: Current Liabilities and Provisions:			
a) Liabilities	11	6,610.80	6,448.99
b) Provisions	12	2,411.09	2,329.37
		9,021.89	8,778.36
Net current assets		19,144.80	14,775.86
Total		**38,038.28**	**34,042.45**
Significant Accounting Policies and notes to Financial Statements	17		

As per attached report of even date

For **Deloitte Haskins & Sells**
Chartered Accountants
P. B. Pardiwalla
Partner

Hrishikesh A. Mafatlal
Chairman

C. R. Gupte
Managing Director

V. K. Gupte
Secretary

Rohit Arora
Berjis Desai
V. R. Gupte
C. L. Jain
Vishad P. Mafatlal
D. N. Mungale
N. Sankar
Directors

Place : Mumbai
Date : 2 May 2008

(Rs. in Lakhs)

For the year ended	Schedule		31.03.2008	31.03.2007
INCOME				
Sales including excise duty			39,824.81	33,900.43
Less: Excise duty on Sales			3,898.62	3,469.91
			35,926.19	30,430.52
Other income	13		3,062.30	2,224.42
(Decrease)/Increase in stocks of finished products and stock-in-process	14		(241.16)	772.49
			38,747.33	**33,427.43**
EXPENDITURE				
Manufacturing and other expenses	15		35,829.67	28,934.13
Purchase of trading products			386.09	282.40
Depreciation		1,555.20		1,556.75
Less: Transfer from Revaluation Reserve (Refer note 4 of schedule 17)		794.19		902.70
			761.01	654.05
Interest	16		109.99	31.41
			37,086.76	29,901.99
Profit before tax			**1,660.57**	**3,525.44**
Provision for Taxes (Refer note 9 (a) of schedule 17)			539.82	1,090.10
Profit after tax			**1,120.75**	**2,435.34**
Deficit brought forward from previous year			(555.97)	(2,050.74)
Proposed Dividend on Equity Shares			803.94	803.94
Corporate tax on dividend			136.63	136.63
Balance carried to balance sheet			**(375.79)**	**(555.97)**
Earnings per share (Equity shares, par value of Rs. 10/- per share)				
Basic			0.70	1.51
Diluted (Refer note no. 10 of Schedule 17)				
Significant Accounting Policies and notes to Financial Statements	17			

As per attached report of even date

For **Deloitte Haskins & Sells**
Chartered Accountants
P. B. Pardiwalla
Partner

Hrishikesh A. Mafatlal
Chairman

C. R. Gupte
Managing Director

V. K. Gupte
Secretary

Rohit Arora
Berjis Desai
V. R. Gupte
C. L. Jain
Vishad P. Mafatlal
D. N. Mungale
N. Sankar
Directors

Place : Mumbai
Date : 2 May 2008

Cash Flow Statement

(Rs. in Lakhs)

For the year ended	31.03.2008	31.03.2007
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax:	**1,660.57**	**3,525.44**
Adjustments for:		
Depreciation	761.01	654.05
Provision for doubtful debts and advances	0.76	0.37
(Profit)/Loss on sale of fixed assets (net)	(585.53)	4.11
Income from Long Term Investments	(24.06)	(18.32)
Provision for dimunition in the value of investments	59.00	–
Interest on Deposits, Overdue receivables and others	(784.72)	(365.88)
Interest expenses	109.99	31.41
Provision for doubtful debts/advances made in previous years written back	(16.08)	(36.74)
Excess provision of earlier year written back	(468.37)	(460.34)
	(948.00)	**(191.34)**
Operating profit before working capital changes	712.57	3,334.10
Adjustments for:		
(Increase)/decrease in trade and other receivables	(2,565.05)	754.93
Increase in inventories	(292.20)	(1,133.73)
Increase in trade payables	620.11	1,052.14
Increase in provisions	81.98	17.23
	(2,155.17)	690.57
Cash (used)/generated (for)/from operations	(1,442.60)	4,024.67
Taxes paid	(185.28)	(455.23)
Net Cash (used)/generated (for)/from operating activities	**(1,627.87)**	**3,569.44**
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of fixed assets including Capital work-in-progress	(1,263.74)	(2,525.58)
Purchase of Investments	–	(1,201.00)
Loan given(net)	(2,572.55)	–
Sale proceed of fixed assets	608.18	–
Interest received	784.72	365.88
Dividend received	24.06	18.32
Net Cash used for Investment activities	**(2,419.33)**	**(3,342.38)**

(Rs. in Lakhs)

For the year ended	31.03.2008	31.03.2007
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Repayment of long term borrowings	–	(53.48)
Loan taken	4,077.28	–
Unclaimed Matured Deposits paid	(5.14)	(3.49)
Interest paid	(109.99)	(31.41)
Dividend paid	(788.74)	(790.31)
Dividend tax paid	(136.63)	(112.75)
Net Cash generated/ (used) from/(in) financing activities	**3,036.78**	**(991.44)**
Net decrease in cash and cash equivalents	(1,010.42)	(764.38)
Opening balance of cash and cash equivalents	1,814.75	2,579.13
Closing balance of cash and cash equivalents	804.33	1,814.75

Note:

Cash and cash equivalent as per balance sheet (Refer Schedule 9)	811.33	1,871.75
Less: Deposit under lien	7.00	7.00
Less: Margin money with bank	–	50.00
Cash and cash equivalent as reported above	**804.33**	**1,814.75**

As per attached report of even date

For **Deloitte Haskins & Sells**
Chartered Accountants
P. B. Pardiwalla
Partner

Hrishikesh A. Mafatlal
Chairman

C. R. Gupte
Managing Director

V. K. Gupte
Secretary

Rohit Arora
Berjis Desai
V. R. Gupte
C. L. Jain
Vishad P. Mafatlal
D. N. Mungale
N. Sankar
Directors

Place : Mumbai
Date : 2 May 2008

(Rs. in Lakhs)

As at	31.03.2008	31.03.2007
Schedule – 1 SHARE CAPITAL		
Authorised:		
1,200,000,000 Equity shares of Rs.10/- each	120,000.00	120,000.00
Issued and subscribed:		
160,786,980 Equity shares of Rs.10/- each, fully paid-up	16,078.70	16,078.70

Notes of the above:

a) 97,302,850,shares allotted as fully paid-up by way of bonus shares by capitalisation of General Reserve and Share Premium Account.

b) 13,302,850 shares allotted to the shareholders of Polyolefins Industries Limited pursuant to the scheme of amalgamation without payment in cash.

c) 38,181,280,shares allotted to erstwhile Secured Lenders without payment in cash in terms of the scheme of arrangement approved by the Bombay High Court.

Schedule – 2 RESERVES AND SURPLUS		
1. **Capital Reserve:**		
Balance at the commencement of the year	15.29	15.29
2. **Share Premium Account:**		
Balance at the commencement of the year	450.92	450.92
3. **Revaluation Reserve:** (Refer note 4 of Schedule 17)		
Balance at the commencement of the year	9,256.73	10,159.43
Less: Amount withdrawn and credited to Profit and Loss Account	794.19	902.70
	8,462.54	**9,256.73**
4. **General Reserve:**		
Balance at the commencement of the year	4,864.71	4,864.71
Less: Debit balance in Profit and Loss Account	375.79	555.97
	4,488.92	**4,308.74**
5. **Reserve for Contingency:** (Refer note no 5 of Schedule 17)		
Balance at the commencement of the year	3,000.00	3,000.00
Total	**16,417.67**	**17,031.68**

(Rs. in Lakhs)

As at	Notes	31.03.2008	31.03.2007
Schedule – 3 SECURED LOANS			
From banks			
– Working capital demand loan	1	800.00	–
– Packing credit loan	1	997.60	–
		1,797.60	–
Vehicle loan from a Bank	2	14.21	19.94
Total		**1,811.81**	**19.94**

Notes:

1. Loans from banks - working capital demad loan and packing credit loan are secured by hypothecation of stocks of raw materials, stocks-in-process, finished stocks, stores and spares, book debts and other current assets by way of first charge.
2. Secured by way of charge on the vehicles purchased.

Schedule – 4 UNSECURED LOANS		
Term loan from a financial Institution	2,285.41	–
Total	**2,285.41**	–

Schedule – 5 FIXED ASSETS AS AT 31.03.2008

PARTICULARS	Land Leasehold	Building	Plant and Machinery	Furniture Fixtures and Equipments	Vehicles	Total	As at 31.03.2007
Gross Block as at 1 April 2007 (at cost or valuation)	3,181.00	2,985.17	22,027.27	1,172.66	131.72	29,497.82	29,156.43
Additions	–	291.99	1,510.57	97.89	15.49	1,915.94	797.99
Disposals / Retirements	1.30	22.11	135.47	43.95	4.35	207.18	456.60
Gross Block as at 31 March 2008	3,179.70	3,255.05	23,402.37	1,226.60	142.86	31,206.58	29,497.82
Accumulated Depreciation upto 31 March 2008	1,089.18	1,163.48	12,133.50	588.20	32.92	15,007.28	13,636.61
Net Block as at 31 March 2008	2,090.52	2,091.57	11,268.87	638.40	109.94	16,199.30	15,861.21
Net Block as at 31 March 2007	2,138.34	1,914.30	11,046.59	651.79	110.19	15,861.21	
Depreciation for the year	46.77	100.81	1,291.40	103.44	12.78	1,555.20	
Capital work-in-progress (including capital advance of Rs. 255.82 lakhs (previous year Rs. 91.12 lakhs)).						**1,249.87**	**1,902.07**

Note:

Additions during the year and accumulated depreciation upto 31 March 2008, includes amount substituted for historical cost on revaluation as on 31 March 2006 and have been disclosed in note 4 of Schedule 17.

(Rs. in Lakhs)

As at			31.03.2008	31.03.2007
Schedule – 6 INVESTMENTS (at cost or valuation)				
Long term investments:				
1. In Government Securities:				
	National Saving Certificates (certificate deposited with Government Department)		0.01	0.01
2. In Subsidiary companies:				
37,500,000	Equity shares of Rs.10/- each, fully paid in Ensen Holdings Limited		230.00	230.00
	Less: Provision for diminution in the value of investments		(59.00)	–
			171.00	230.00
1,225,000	Equity shares of Rs.100/- each, fully paid in Urvija Investments Limited		60.00	60.00
40,10,000	Equity shares of Rs.10/- each, fully paid in PIL Chemicals Private Limited		1,201.00	1,201.00
3. Other Investments:				
17,623,	6.75% Tax free US64 Bonds of Unit Trust of India of Rs. 100 each		11.18	11.18
566,320	Equity shares of Rs.10/- each, fully paid in Mafatlal Industries Limited	Re. 1	–	–
566,340	Equity shares of Rs.10/- each, fully paid in Navin Fluorine International Limited (see note below)	Rs. 200	–	–
1,000	Equity shares of Rs.10/- each, fully paid in HDFC Bank Limited		0.10	0.10
17,101	Equity shares of Rs.100/- each, fully paid in Mafatlal Engineering Industries Limited	Re. 1	–	–
1	Equity share of Rs. 2,000 fully paid in Shree Balaji Sahakari Sakhar Karkhana Limited		0.02	0.02
10,000	Equity shares of Rs.10/- each, fully paid in The Bharat Co-Operative Bank Limited		1.00	1.00
Total			**1,444.31**	**1,503.31**
a) Aggregate of quoted investments				
	Cost / Carrying amount		11.28	11.28
	Market value		1,534.14	2,126.43
b) Aggregate of unquoted investments				
	Cost / Carrying amount		1,433.03	1,492.03

Note:

566,320 shares of Navine Fluorine International Limited were received under the Rehabilitation scheme of Mafatlal Industries Limited sanctioned by the Board for Industrial and Financial Reconstruction in its order dated 30 October 2002.

(Rs. in Lakhs)

As at	31.03.2008	31.03.2007
Schedule – 7 INVENTORIES (at lower of cost or net realisable value)		
1. Stores and spares	461.57	415.92
2. Stock-in-trade		
a) Raw materials	2,665.58	2,027.46
b) Stock-in-process	1,135.27	923.12
c) Finished stocks		
Manufactured products	3,173.60	3,786.64
Trading products	27.27	17.95
	7,001.72	6,755.17
Total	**7,463.29**	**7,171.09**

Schedule – 8 SUNDRY DEBTORS		
Sundry debtors (unsecured):		
Outstanding over six months	228.23	312.74
Others	8,147.71	6,723.47
	8,375.94	7,036.21
Less: Provision	206.97	223.06
Total	**8,168.97**	**6,813.15**
Notes:		
a) Considered good	8,168.97	6,813.15
b) Considered doubtful	206.97	223.06
	8,375.94	**7,036.21**

Schedule – 9 CASH AND BANK BALANCES		
1. Cash on hand including cheques on hand Rs. 278.94 lakhs (previous year Rs. 151.35 lakhs)	283.27	157.35
2. Remittances in transit	80.63	35.64
3. Bank balances:		
With Scheduled Banks:		
In current accounts	438.43	719.76
In deposit account (including margin money deposit aggregating to Rs. Nil, (previous year Rs. 50.00 lakhs), deposit includes Rs. 7.00 lakhs (previous year Rs. 7.00 lakhs) on which Bank has lien)	9.00	959.00
	447.43	1,678.76
Total	**811.33**	**1,871.75**

(Rs. in Lakhs)

As at	31.03.2008	31.03.2007
Schedule – 10 LOANS AND ADVANCES (unsecured, unless otherwise stated)		
1. Loans and advances		
To subsidiary companies	1,146.26	986.20
To other companies @	5,379.41	3,094.00
2. Advances recoverable in cash or in kind or for value to be received	3,298.50	2,305.42
3. Advance payment of income - tax (net)	605.66	613.34
4. Balance with customs and excise	632.06	223.28
5. MAT credit entitlement	1,155.42	970.00
	12,217.31	**8,192.24**
Less: Provisions	494.21	494.01
Total	**11,723.10**	**7,698.23**
@ Includes Rs 1,000 lakhs secured by way of pledge of certain shares		
Notes:		
a) Considered good	11,723.10	7,698.23
b) Considered doubtful	494.21	494.01
	12,217.31	**8,192.24**

Schedule – 11 CURRENT LIABILITIES		
Acceptances	1,988.24	2,152.53
Sundry creditors		
– Payable to Micro and Small Enterprises (Refer note 14 of Schedule 17)	–	–
– Others	4,559.87	4,243.84
Unclaimed Dividends	28.82	13.62
Unclaimed matured Deposits	33.87	39.00
Total	**6,610.80**	**6,448.99**

Schedule – 12 PROVISIONS		
Employee benefits	751.38	669.40
Fringe benefit tax (net)	0.37	0.63
Proposed dividend	803.94	803.94
Corporate tax on dividend	136.63	136.63
Custom duty claims	718.77	718.77
Total	**2,411.09**	**2,329.37**

(Rs. in Lakhs)

For the year ended	31.03.2008	31.03.2007
Schedule – 13 OTHER INCOME		
1. Income from Long Term Investments		
i) Dividend	22.87	17.13
ii) Interest	1.19	1.19
	24.06	18.32
2. Interest on deposits, overdue receivables and others		
(tax deducted at source Rs. 33.18 lakhs, previous year Rs. 66.33 lakhs)	784.72	365.88
3. Claim for sales tax set off	118.05	139.40
4. Export incentives	488.59	666.82
5. Provision for doubtful debts / advances written back	16.08	36.74
6. Profit on Sale of fixed assets (net)	585.53	–
7. Excess provisions written back	468.37	460.34
8. Rent received (net) (including tax deducted at source Rs. 87.25 lakhs, previous year 71.21 lakhs)	93.21	72.00
9. Miscellaneous income	483.69	464.92
Total	3,062.30	2,224.42

Schedule – 14 (DECREASE)/INCREASE IN STOCKS OF FINISHED PRODUCTS AND STOCK-IN-PROCESS		
Stocks as at 31 March		
Stock-in-process	1,135.27	923.12
Finished stocks		
Manufactured products	3,173.60	3,786.64
Trading products	27.27	17.95
	4,336.14	4,727.71
Stocks as at 1 April		
Stock-in-process	923.12	874.13
Finished stocks		
Manufactured products	3,786.64	2,957.73
Trading products	17.95	25.60
	4,727.71	3,857.46
(Decrease)/ Increase in excise duty on closing stock of finished products	(150.41)	97.76
(Decrease)/ Increase	(241.16)	772.49

(Rs. in Lakhs)

For the year ended	31.03.2008	31.03.2007
Schedule – 15 MANUFACTURING AND OTHER EXPENSES		
1. Materials consumed:		
a) Raw materials	22,956.80	18,545.17
b) Packing materials	660.17	473.41
	23,616.97	**19,018.58**
2. Utilities:		
a) Power and fuel	4,019.51	3,234.97
b) Other utilities - water	157.39	125.57
	4,176.90	**3,360.54**
3. Payments to and provisions for employees:		
a) Salaries, wages and bonus	2,091.06	1,809.04
b) Contribution to provident and other funds	258.52	205.12
c) Staff welfare	224.88	202.45
	2,574.46	**2,216.61**
4. Operating expenses:		
a) Stores and spares	372.36	366.75
b) Processing charges	1,195.89	798.17
c) Rent	124.41	127.38
d) Rates, taxes and duties	349.63	289.08
e) Insurance	108.21	136.75
f) Repairs and maintenance to plant and machinery	398.26	403.33
g) Repairs and maintenance to buildings	73.36	82.04
h) Repairs and maintenance to - others	33.43	28.17
i) Travelling	82.21	76.39
j) Advertising and sales development expenses	21.04	10.89
k) Freight & forwarding charges (net)	986.88	679.78
l) Miscellaneous expenses	979.30	828.99
	4,724.98	**3,827.72**
5. Commission and discounts	542.26	502.35
6. Directors sitting fees	6.80	3.85
7. Loans/advances/other dues written off	127.54	–
8. Provision for dimunition in the value of investments	59.00	–
9. Loss on sale of fixed assets (net)	–	4.11
10. Provision for doubtful debts and advances	0.76	0.37
Total	**35,829.67**	**28,934.13**

Schedule – 16 INTEREST		
On fixed loan	84.71	2.35
Others	25.28	29.06
Total	**109.99**	**31.41**

Schedule – 17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

A. SIGNIFICANT ACCOUNTING POLICIES:

1. **Basis of preparation of financial statements**

   The accompanying financial statements have been prepared under the historical cost convention, in accordance with generally accepted accounting principles in India and the provisions of the Companies Act, 1956 (the “Act”), except for certain fixed assets which have been revalued. (Refer note 4 of schedule 18).

2. **Use of estimates**

   The preparation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and differences between actual results and estimates are recognised in the period in which the results are known/materialize.

3. **Fixed Assets**

   Fixed Assets are stated at cost of acquisition or construction or at revalued amounts less accumulated depreciation.

4. **Depreciation**

   i) Depreciation on fixed assets is provided, pro rata for the period of use, by the straight line method at the SLM rates prescribed in schedule XIV to the Act.

   ii) Cost of leasehold land is written off over the period of lease.

   iii) The additional depreciation charge on account of revaluation of fixed assets is spread over the balance useful life of the revalued assets. The additional charge of depreciation on account of revaluation is withdrawn from revaluation reserve and credited to Profit and Loss Account.

   iv) Assets costing Rs.5000/- or less are fully depreciated in the year of purchase.

5. **Impairment of Assets**

   An asset is considered as impaired in accordance with Accounting Standard 28 on Impairment of Assets when at balance sheet date there are indications of impairment and the carrying amount of the asset, or where applicable the cash generating unit to which the asset belongs, exceeds its recoverable amount (i.e. the higher of the asset’s net selling price and value in use). The carrying amount is reduced to the recoverable amount and the reduction is recognised as an impairment loss in the profit and loss account.

6. **Operating Lease**

   Operating lease payments are recognised as expenditure in the profit and loss account on a straight-line basis, which is representative of the time pattern of benefits received from the use of the assets taken on lease.

7. **Investments**

   The Company has classified all its investments as “Long Term” in accordance with Accounting Standard 13 on “Accounting for Investments”. Provision is made to recognise a decline, other than temporary, in the value of investments.

8. **Inventories**

   Inventories are measured at lower of the cost and net realisable value. Cost of inventories comprise all costs of purchase (net of input credits), costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost of stores and spares, raw materials, trading and other products are determined on weighted average basis. Cost of stock-in-process and finished stock is determined by the absorption costing method.

Schedule – 17 **SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS** *(Contd.)*

9. **Employee Benefits**

Short term employee benefits which are payable within twelve months after the end of the period in which the employees render service are measured at cost.

Long term employee benefits (benefits which are payable after the end of twelve months from the end of the period in which the employees render service) and post employment benefits (benefits which are payable after completion of employment) are measured on a discounted basis by the Projected Unit Credit Method on the basis of annual third party actuarial valuation.

Contributions to provident fund and superannuation fund, defined contribution plans, are recognised as an expenses when employees have rendered service entitling them to the contributions.

Gratuity, leave encashment and long service benefits costs (defined benefit plans) are determined using the Projected Unit Credit Method with actuarial valuations being carried out by third party actuaries at each balance sheet date.

10. **Foreign currency transactions**

Transactions in foreign currency are recorded at the original rates of exchange in force at the time the transactions are effected.

Foreign currency denominated assets and liabilities (monetary items) are translated into the reporting currency at the exchange rates prevailing on the Balance Sheet date.

Exchange differences arising on settlement of foreign currency transactions or restatement of foreign currency denominated assets and liabilities (monetary items) are recognised in the profit and loss account.

In case of monetary items which are covered by forward exchange contracts, the difference between the exchange rate on the date of such contracts and the year end rate is recognised in the Profit and Loss Account. Any profit/loss arising on cancellation of forward exchange contract is recognised as income or expense of the year. Premium/Discount arising on such forward exchange contracts is amortized as income/expense over the life of the contract.

11. **Borrowing Costs**

Borrowing costs attributable to the acquisition or construction of a qualifying asset as defined in Accounting Standard 16, that is, those assets that take a period of 12 months or more in becoming ready for use are capitalised as part of the cost of acquisition. Other borrowing costs are expensed as incurred.

12. **Revenue recognition**

Revenue is recognised when it is earned and no significant uncertainty exists as to its realization or collection.

Revenue on sale of products is recognised when the products are dispatched to customers, all significant contractual obligations have been satisfied and the collection of the resulting receivable is reasonably expected. Sales are stated net of returns and sales tax recovered. Excise duty related to sales turnover is presented as a reduction from gross sales. Excise Duty related to finished goods is included under increase in stocks of finished products and stock-in-process (Schedule 14).

13. **Taxation**

Income tax is accounted for in accordance with Accounting Standard 22 on Accounting for Taxes on Income. Taxes comprise both current and deferred tax.

Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the applicable tax rates and tax laws.

Minimum Alternate Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal Income Tax during the specified period as per the provisions of Income Tax Act, 1961.

The tax effect of the timing differences that result between taxable income and accounting income and are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability. They are

Schedule – 17 **SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS** *(Contd.)*

measured using the substantively enacted tax rates and tax regulations. The carrying amount of deferred tax assets at each balance sheet date is reduced to the extent that it is no longer reasonably certain that sufficient future taxable income will be available against which the deferred tax asset can be realised.

Fringe Benefits Tax (FBT) payable under the provisions of section 115WC of the Income-tax Act,1961 is, in accordance with the Guidance Note on Accounting for Fringe Benefit Tax issued by the ICAI, regarded as an additional income tax and considered in determination of the profits for the year. Tax on distributed profits payable in accordance with the provisions of Section 115-O of the Income-tax Act, 1961, is, in accordance with the Guidance Note on Accounting for Corporate Dividend Tax, regarded as a tax on distribution of profits and is not considered in determination of the profits for the year.

14. **Earnings Per Share**

The Company reports Earnings Per Share (EPS) in accordance with Accounting Standard 20 on Earnings Per Share. Basic EPS is computed by dividing the net profit for the year by the weighted average number of Equity shares outstanding during the year. Diluted EPS is computed by dividing the net profit or loss for the year by the weighted average number of equity shares outstanding during the year as adjusted for the effects of all dilutive potential equity shares, except where the results are anti-dilutive.

15. **Stock based compensation**

The compensation cost of stock options granted to employees is calculated using the intrinsic value of the stock options. The compensation expense is amortised uniformly over the vesting period of the option.

16. **Cash Flow Statement**

The Cash Flow Statement is prepared by the indirect method set out in Accounting Standard 3 on Cash Flow Statements and presents the cash flows by operating, investing and financing activities of the Company. Cash and cash equivalents presented in the Cash Flow Statement consist of cash on hand and demand deposits with banks.

17. **Contingent Liabilities**

Contingent Liabilities as defined in Accounting Standard 29 are disclosed by way of notes to accounts. Provision is made if it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability.

B. NOTES TO FINANCIAL STATEMENTS:

(Rs. in Lakhs)

	2007-08	2006-07
1. Estimated amount of contract remaining to be executed on capital account and not provided for(net of advances)	818.21	170.10
2. Claims against the Company not acknowledged as debts	145.82	125.10
3. Contingent liability in respect of		
a) Central excise duty and Customs duty demands disputed	131.91	147.50
b) Income tax demands disputed	1,261.70	942.44
c) Sales tax demands disputed	782.29	783.55

4. On 31 March 2006, the Company revalued Leasehold Land, Building and Plant and Machinery based on a valuation report of Telos Consultancy Services Private Limited, an approved valuer. The valuation was made on the basis of current replacement values of the assets. The net block at 31 March 2006 was increased by Rs. 10,159.43 lakhs by transferring a similar amount to Revaluation Reserve. Additional depreciation amounting to Rs. 794.19 lakhs for the year on account of revaluation has been charged to Profit and Loss account and a similar amount has been withdrawn from the Revaluation Reserve and credited to the Profit and Loss Account.

Schedule – 17 **SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS** *(Contd.)*

5. The Company as at 31 March 2008 carries a total Contingency Reserve of Rs.3,000 lakhs (previous year Rs.3,000 lakhs) which, in its opinion, is adequate to meet any short fall/diminution in the ultimate realisation of its investments, current assets and loans and advances.

6. The Company is primarily engaged in the business of manufacturing and trading of rubber chemicals, which in the context of AS 17 on 'Segment Reporting' constitutes a single reporting segment.

7. The Company's significant leasing arrangements are in respect of operating leases for premises (residential, offices, godowns, subletting etc.). These lease arrangement are ranging between 11 months to 60 months generally or longer and are renewable by mutual consent or mutually agreeable terms. The aggregate lease rentals expenses and income is Rs. 399.12 lakhs (previous year Rs.372.71 lakhs) and Rs. 367.92 lakhs (previous year Rs. 317.33 lakhs) respectively.

8. **Related Parties:**

   A) **Name of related parties and description of relationship**

   i) **Subsidiary Companies**
   Ensen Holdings Limited
   Urvija Investments Limited
   PIL Chemicals Private Limited

   ii) **Others**
   Navin Fluorine International Limited
   Mafatlal Industries Limited
   Mafatlal Finance Company Limited
   Eyeglobal Technologies Private Limited

   iii) **Key Management Personnel**
   Mr. C. R. Gupte

   iv) **Relatives of Key Management Personnel**
   Mr. V. R. Gupte
   Mrs. A. C. Gupte

   B) **Transactions with related parties**

(Rs. in Lakhs)

Nature of Transactions	2007-08	2006-07
Loan Given to/(repaid to) Subsidiary Companies:		
– PIL Chemicals Private Limited	287.14	859.12
– Urvija Investments Limited	–	(47.75)
Purchase of Materials / Services:		
– Navin Fluorine International Limited	8.65	9.21
– Eyeglobal Technologies Private Limited	1.50	1.59
– PIL Chemicals Private Limited	557.12	101.08
Reimbursement of Expenses:		
– Mafatlal Industries Limited	14.92	10.32
Remuneration Paid to:		
Key Management Personnel		
Mr. C.R.Gupte	97.08	95.46

Schedule – 17 **SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS** *(Contd.)*

(Rs. in Lakhs)

Nature of Transactions	2007-08	2006-07
Loan given to:		
– Mafatlal Industries Limited(net of repayment of Rs 14.59 lakhs)	2,285.41	–
Office Deposit given to:		
Mafatlal Industries Limited	39.07	–
Rent Paid to:		
Mafatlal Industries Limited	317.91	288.53
Navin Fluorine International Limited	28.80	28.80
Mrs. A.C.Gupte	1.80	1.80
Mr. V.R.Gupte	1.80	1.80
Interest Paid:		
Urvija Investments Limited	–	18.41
Interest Received/Accrued:		
PIL Chemicals Private Limited	79.37	17.27
Mafatlal Industries Limited	34.41	–
Amount outstanding at the year end:		
Inter Corporate Deposit given	4,379.41	2,221.08
Loan given	1,146.26	859.12
Office / Flat Deposit given	520.14	481.07
Interest Receivable	61.39	–

Related party relationship is as identified by the management and relied upon by the auditors.

C) **Loans and Advances in the nature of Loans (As required by clause 32 of the listing agreement with the stock exchanges)**

(Rs. in Lakhs)

Name of the Company	Note	Balance at at 31.03.2008	Maximum amount outstanding during the year
Ensen Holdings Limited		–	127.08
PIL Chemicals Private Limited	1	1,146.26	1,146.26
Mafatlal Industries Limited	2 and 3	4,379.41	4,394.00

Notes

1. Loan to PIL Chemicals Private Limited is given at the interest rate of 7.5% per annum.
2. Loan of Rs 2,094 lakhs given to Mafatlal Industries Limited: Interest has been waived pursuant to sanctioning of Mafatlal Industries Limited's revival scheme under Sick Industrial Companies (Special Provisions) Act, 1985 and repayment of the same will be made on implementation of the said rehabilitation scheme.
3. Loan of Rs 2285.41 lakhs given to Mafatlal Industries Limited is @14% interest per annum and adjusted in monthly EMI.

Schedule – 17 **SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS** *(Contd.)*

9. a) **Provision for taxes comprises of:**

(Rs. in Lakhs)

	2007-08	2006-07
Current Income tax	185.42	400.00
Deferred tax charge	532.56	1,070.00
Fringe benefit tax	18.00	19.00
Wealth tax	1.20	1.10
MAT credit entitlement	(185.42)	(400.00)
Excess provision of tax of earlier years	(11.94)	–
Total	**539.82**	**1,090.10**

b) **The components of Deferred Tax Liabilities are as under:**

	2007-08	2006-07
Depreciation	1,778.03	1,801,70
Unabsorbed depreciation and carried forward losses	(391.45)	(760.99)
Provision for doubtful debts and advances	(256.09)	(243.73)
Provision for leave encashment and gratuity	(255.39)	(227.51)
Payment for voluntary retirement	(57.92)	(103.45)
Others	627.51	446.11
Net deferred tax liability	**1,444.69**	**912.13**

10. **Earnings per share:**

	2007-08	2006-07
Profit available to equity shareholders (Rupees in lakhs)	1,120.75	2,435.34
Weighted average number of Equity shares	160,786,980	160,786,980
Nominal value of Equity share (Rs.)	10	10
Earnings per share (Rs.) – Basic	0.70	1.51

Note: There is no dilution to the basic EPS as there were no outstanding dilutive potential equity shares.

11. **ESOP scheme:**

	31.03.2008
Date of grant	27-Aug-07
Number of option granted	425,100
Contractual life	10 Years
Vesting Schedule (from the date of grant)	
First Year	25%
Second Year	25%
Third Year	25%
Fourth Year	25%
Method of settlement	Equity
Estimated Fair Values(Arrived at by applying Black Scholes Option Pricing Model) Rs.	15.72
Model inputs (share price at the grant date) Rs.	23.40
Exercise Price Rs.	23.40
Expected Volatility	50.00%
Risk free rate of return	8.24%
Historical volatility	54%
The weighted average contractual life of the options outstanding	10 years

Schedule – 17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS *(Contd.)*

12. Employment and Retirement Benefits

(Rs. in Lakhs)

	31.03.2008
1. Provision for Leave Encashment	394.54
2. Post-employment benefits	
a) Defined contribution plans	
i) Company's contribution to Provident Fund	113.83
ii) Company's contribution to Superannuation Fund	28.67
b) Defined benefit scheme	
i) Long service benefit	21.37
ii) Gratuity	
a) Liability recognised in Balance Sheet	
1. Change in Benefit Obligation	
Present Value of Obligations	
As at 1 April 2007	654.28
Service cost	29.01
Interest cost	51.47
Actuarial Loss on obligations	(22.14)
Benefits paid	(39.94)
As at 31 March 2008	672.68
Less: Fair Value of Plan Assets	
As at 1 April 2007	656.85
Expected Return on Plan assets less loss on investments	49.35
Employers' Contribution	–
Benefits paid	(39.94)
Actuarial gain on Plan Assets	44.22
As at 31 March 2008	**710.48**
b) Expense during the year	
Service Cost	29.01
Interest Cost	51.47
Expected Return on Plan assets	(49.35)
Actuarial (Gain)/Loss on obligations	(66.36)
	35.23
c) Principal actuarial assumptions	
Rate of Disounting	8%
Rate of Return on Plan Assets	8%
Rate of increase in salaries	2.5%

This being the first year of adoption of Revised Accounting Standard 15 on Employee Benefits comparative figures have not been given.

13. Additional information pursuant to the provisions of paragraphs 4, 4B, 4C and 4D of Part II of Schedule VI of the Companies Act, 1956:

a) **Managerial Remuneration:**

	2007-08	2006-07
Salaries and allowances	65.00	65.00
Contribution to provident and other funds	14.35	14.35
Perquisites in cash or in kind	17.73	16.11
	97.08	**95.46**

Schedule – 17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS *(Contd.)*

b) Payment to auditors (Excluding service tax): *(Rs. in Lakhs)*

	2007-08	2006-07
a) Audit fees	8.00	8.00
b) As adviser, or in any other capacity in respect of :		
i) Taxation matters	0.50	2.00
ii) Company law matters	–	1.00
iii) In any other manner (certification work, limited reviews, etc.)	5.80	2.80
iv) Tax audit fees	2.00	2.00
	8.30	7.80
c) Out of pocket expenses	0.10	0.07
	16.40	**15.87**

c) Turnover:

	Unit	2007-08		2006-07	
		Quantity	Value	Quantity	Value
Manufactured products:					
Rubber Chemicals	MT	23,440	38,844.48	19,055	33,124.68
Others			500.03		374.40
Trading products:					
Rubber Chemicals	MT	372	480.31	320	401.35
Total			**39,824.81**		**33,900.43**

d) Raw materials consumed:

	Unit	2007-08		2006-07	
		Quantity	Value	Quantity	Value
Chlorinated aromatics & amines	MT	15,914	9,633.72	12,887	8,204.21
Solvents	MT	8,708	4,283.20	7,476	3,504.30
Chlorine	MT	1,868	145.49	1,622	124.33
Chemicals	MT	21,165	7,662.94	17,100	5,735.24
Other raw materials			1,231.45		977.09
Total			**22,956.80**		**18,545.17**

e) Stocks:

	Unit	2007-08		2006-07	
		Quantity	Value	Quantity	Value
Opening Stock:					
Finished stocks-manufactured products:					
Rubber Chemicals	MT	2,174	3,662.17	1,966	2,929.60
Others			124.47		28.13
Total			**3,786.64**		**2,957.73**
Trading products:					
Rubber Chemicals	MT	18	17.95	30	25.60
Total			**17.95**		**25.60**

Schedule – 17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS *(Contd.)*

f) Purchases:

(Rs. in Lakhs)

	Unit	2007-08		2006-07	
		Quantity	Value	Quantity	Value
Trading products:					
Rubber Chemicals	MT	381	386.09	308	282.40
Total			**386.09**		**282.40**

g) Closing Stocks:

	Unit	2007-08		2006-07	
		Quantity	Value	Quantity	Value
Finished stocks-manufactured products:					
Rubber Chemicals	MT	1,601	3,115.19	2,174	3,662.17
Others			58.41		124.47
Total			**3,173.60**		**3,786.64**
Trading products:					
Rubber Chemicals	MT	27	27.27	18	17.95
Total			**27.27**		**17.95**

h) Capacities and Production:

	Unit	2007-08	2006-07
		Rubber chemicals and their intermediates	Rubber chemicals and their intermediates
Licensed capacity	MT	N.A.	N.A.
Installed capacity @	MT	38,200	34,870
Actual production Including production Internally consumed as intermediates	MT	36,302 *	29,839 *

Notes:

@ Installed capacity is as certified by the management.

* Includes 4,132 MT (previous period 3,284 MT) converted for the Company by third parties.

N.A. – not applicable

i) Value of Imports on CIF (on accrual basis) in respect of:

	2007-08	2006-07
i) Raw Materials	11,474.35	9,351.20
ii) Stores and spares	11.88	15.80
iii) Capital goods	46.01	83.38
Total	**11,532.24**	**9,450.38**

j) Expenditure in Foreign Currency (on accrual basis) on account of:

	2007-08	2006-07
i) Professional and technical fees	2.42	5.61
ii) Interest	45.48	–
iii) Commission on sales	108.24	99.43
iv) Others	61.24	59.20
Total	**217.38**	**164.24**

Schedule – 17 **SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS** *(Contd.)*

k) **Value of Raw materials and stores and spares consumed:**

(Rs. in Lakhs)

	2007-08				2006-07			
	Imported		Indigenous		Imported		Indigenous	
	Value	% of total consumption	Value	% of total consumption	Value	% of total consumption	Value	% of total consumption
a) Raw materials	11,607.73	50.6	11,349.07	49.4	10,053.07	54.2	8,492.10	45.8
b) Stores and spares	23.37	6.3	348.99	93.7	16.78	4.6	349.97	95.4

l) **Earning in foreign exchange:**

	2007-08	2006-07
F.O.B. value of goods exported	16,934.37	12,991.55

14. The Company has not received any intimation from "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at year end together with interest paid / payable as required under the said Act have not been given.

15. **Foreign Currency Exposure:**

(Figures in Lakhs)

	31 March 2008		31 March 2007	
	Rupees	Foreign currency	Rupees	Foreign currency
1) Hedge				
Purchase of materials	–	–	368.46	USD 8.27
Sale of Goods	2018.98	USD 44.00 EURO 4.50	–	– –

2) Unhedge				
Purchase of materials	1806.12	USD 45.33	1498.13	USD 36.75 EURO 0.53
Sale of goods	1612.12	USD 15.72 EURO 15.67	2014.20	USD 31.36 EURO 11.40
Payment of commission	44.95	USD 0.84 EURO 0.19	32.24	USD 0.63 EURO 0.08
Packing Credit Foreign Currency Loan	597.60	USD 15.00	–	–

16. Figures of the previous year have been regrouped / rearranged wherever necessary to correspond with the figures of the current year. Amounts and other disclosures for the preceding year are included as an integral part of the current year financial statements and are to be read in relation to the amounts and other disclosures relating to the current year.

17. The amounts of Balance Sheet and Profit and Loss Account are rounded off to the nearest thousand and indicated in lakhs of rupees.

18. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS *(Contd.)*

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	12003
State Code	11
Balance Sheet Date (Date / Month / Year)	31 / 03 / 2008

II. Capital raised during the year *(Amount in Rs. Thousand)*

Public Issue	NIL
Rights Issue	NIL
Bonus Issue	NIL
Private Placement	NIL

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

Total Liabilities	3803828
Total Assets	3803828

Sources of Funds

Paid-Up Capital	1607870
Reserves and Surplus	1641767
Secured Loans	181181
Unsecured Loans	228541

Application of Funds

Net Fixed Assets	1744917
Deferred Tax Liability	144469
Net Current Assets	1914480
Investments	144431
Accumulated Losses	NIL
Misc. Expenditure	NIL

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

Turnover	3982481
Total Expenditure	3708676
+ – Profit/Loss before Tax	166057
+ – Profit/Loss after Tax	112075
Earning Per Share in Rs.	0.70
Dividend rate %	5

(Please tick Appropriate box + for Profit - for Loss)

V. Generic Names of Three Principal Products/Services of Company (as per monetory terms)

Items Code No.(ITC Code)	Product Description
29215190	Amine Function Compounds
29350090	Sulphonamides
29334900	Heterocyclic Compounds with Nitrogen - Heteroatom(s)

Hrishikesh A. Mafatlal
Chairman

C. R. Gupte
Managing Director

V. K. Gupte
Secretary

Rohit Arora
Berjis Desai
V. R. Gupte
C. L. Jain
Vishad P. Mafatlal
D. N. Mungale
N. Sankar
Directors

Place : Mumbai
Date : 2 May 2008

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO COMPANY'S INTEREST IN THE SUBSIDIARY COMPANIES

(in Rs.)

	Ensen Holdings Limited	Urvija Investments Limited	PIL Chemicals Private Limited
1. Name of the Subsidiary Companies	Ensen Holdings Limited	Urvija Investments Limited	PIL Chemicals Private Limited
2. The financial year of the Subsidiary Companies ended on	31 March 2008	31 March 2008	31 March 2008
3. a) Number of shares held by NOCIL Limited in the subsidiaries as at the end of financial year of the subsidiaries companies	The entire issued equity shares consisting of 3,75,00,000 equity shares of Rs.10/- each fully paid up	The entire issued equity shares consisting of 12,25,000 equity shares of Rs.100/- each fully paid up	The entire issued equity shares consisting of 40,01,,000 equity shares of Rs.10/- each fully paid up
b) Extent of interest of NOCIL Limited in the capital of Subsidiary Companies as at the end of the financial year of the Subsidiary Companies	100%	100%	100%
4. Net aggregate amount so far as it concerns members of NOCIL Limited and is not dealt with in the Company's accounts, of the Subsidary Companies' profit/losses			
a) Profit / (Loss) for the Subsidary Companies financial year ended 31 March 2008	(5,828,777)	59,260	232,556
b) Profits/ (Loss) for the previous financial years of Subsidiary companies	(361,769,062)	(114,778,260)	–
5. Net aggregate amount of profits/losses of the Subsidiary, so far as those profits/losses are dealt with, or provision is made for those losses in NOCIL Limited's accounts			
a) Profit/(Loss) for the Subsidary Companies financial year ended on 31 March 2007	1,239	1,490,817	(10,541,915)
b) Profit/(Loss) for their previous financial years since they became Subsidiary Companies of NOCIL Limited	(352,000,000)	(116,500,000)	

Hrishikesh A. Mafatlal
Chairman

C. R. Gupte
Managing Director

V. K. Gupte
Secretary

Rohit Arora
Berjis Desai
V. R. Gupte
C. L. Jain
Vishad P. Mafatlal
D. N. Mungale
N. Sankar
Directors

Place : Mumbai
Date : 2 May 2008

Auditors' Report to the Board of Directors of NOCIL Limited
(Formerly known as National Organic Chemical Industries Limited)

1. We have audited the attached consolidated Balance Sheet of NOCIL Limited (the Company) and its components (Subsidiary and associates Companies, collectively the "group") as at 31 March 2008, the Consolidated Profit and Loss Account and the Consolidated Cash Flow statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of one subsidiary whose financial statements reflect the group's share of total assets of Rs. 2430.86 lakhs, total revenues of Rs. 557.12 lakhs and total cash flows of Rs. (6.82) lakhs for the year ended 31 March 2008. These financial statements have been audited by other auditor whose report has been furnished to us by the Company's management and our opinion is based solely on the report of the other auditor.

4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard -21, "Consolidated Financial Statements" and Accounting Standard 23, "Accounting for Investments in Associates in Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.

5. Based on the information and according to the explanations given to us and on consideration of the report of the other auditor on the separate financial statements of a subsidiary, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the Generally Accepted Accounting Principles in India.

   i) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the group as at 31 March 2008;

   ii) in the case of the Consolidated Profit and Loss Account, of the consolidated profit for the year ended on that date; and

   iii) In the case of the Consolidated Cash Flow Statement of the consolidated cash flows for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants

P. B. Pardiwalla
Partner
(Membership No.40005)

Place : Mumbai
Date : 2 May 2008

Consolidated Balance Sheet

(Rs. in Lakhs)

As at	Schedule	31.03.2008	31.03.2007
SOURCES OF FUNDS			
Shareholders' Funds:			
1. a) Capital	1	16,078.70	16,078.70
b) Reserves and surplus	2	16,293.73	16,904.12
		32,372.43	32,982.82
2. Loan Fund:			
a) Secured loans	3	1,811.81	19.94
b) Unsecured loan	4	2,285.41	–
		4,097.22	19.94
3. Deferred tax liability (net)		1,444.69	912.13
Total		**37,914.34**	**33,914.89**
APPLICATION OF FUNDS			
1. Fixed Assets:			
a) Gross Block	5	33,303.79	31,447.82
b) Less: Depreciation		15,131.55	13,674.83
c) Net block		18,172.24	17,772.99
d) Capital work-in-progress		1,563.58	1,955.06
		19,735.82	19,728.05
2. Investments	6	54.83	54.83
3. Current Assets, Loans and Advances:			
a) Inventories	7	7,480.72	7,179.47
b) Sundry debtors	8	8,168.97	6,813.15
c) Cash and bank balances	9	893.46	1,960.19
d) Loans and advances	10	10,728.80	7,010.63
		27,271.95	22,963.44
Less: Current Liabilities and Provisions:			
a) Liabilities	11	6,734.15	6,501.98
b) Provisions	12	2,414.11	2,329.45
		9,148.26	8,831.43
Net current assets		18,123.69	14,132.01
Total		**37,914.34**	**33,914.89**
Significant Accounting Policies and notes to Financial Statements	17		

As per attached report of even date

For **Deloitte Haskins & Sells**
Chartered Accountants
P. B. Pardiwalla
Partner

Hrishikesh A. Mafatlal
Chairman

C. R. Gupte
Managing Director

V. K. Gupte
Secretary

Rohit Arora
Berjis Desai
V. R. Gupte
C. L. Jain
Vishad P. Mafatlal
D. N. Mungale
N. Sankar
Directors

Place : Mumbai
Date : 2 May 2008

(Rs. in Lakhs)

For the year ended	Schedule		31.03.2008	31.03.2007
INCOME				
Sales including excise duty			39,824.81	33,900.43
Less: Excise duty on Sales			3,898.62	3,469.91
			35,926.19	30,430.52
Other income	13		3,015.98	2,210.36
(Decrease)/ Increase in stocks of finished products and stock-in-process	14		(241.16)	772.49
			38,701.01	**33,413.37**
EXPENDITURE				
Manufacturing and other expenses	15		35,693.29	28,985.17
Purchase of trading products			386.09	282.40
Depreciation		1,641.28		1,594.96
Less: Transfer from Revaluation Reserve (Refer note 4 of Schedule 17)		794.19		902.70
			847.09	692.26
Interest	16		109.99	17.27
			37,036.46	29,977.10
Profit before tax			1,664.55	3,436.27
Provision for Taxes (Refer note 9(a) of schedule 17)			540.18	1,091.83
Profit after tax			1,124.37	2,344.44
Deficit brought forward from previous year			(742.25)	(2,146.12)
Proposed Dividend on Equity Shares			803.94	803.94
Corporate tax on dividend			136.63	136.63
Balance carried to balance sheet			**(558.45)**	**(742.25)**
Earnings per share (Equity shares, par value of Rs. 10/- per share)				
Basic			0.70	1.46
Diluted (Refer note no. 10 of Schedule 17)				
Significant Accounting Policies and notes to Financial Statements	17			

As per attached report of even date

For **Deloitte Haskins & Sells**
Chartered Accountants
P. B. Pardiwalla
Partner

Hrishikesh A. Mafatlal
Chairman

C. R. Gupte
Managing Director

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Secretary

Rohit Arora
Berjis Desai
V. R. Gupte
C. L. Jain
Vishad P. Mafatlal
D. N. Mungale
N. Sankar
Directors

Place : Mumbai
Date : 2 May 2008

Consolidated Cash Flow Statement

(Rs. in Lakhs)

For the year ended	31.03.2008	31.03.2007
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax:	1,664.55	3,436.27
Adjustments for:		
Depreciation	847.09	692.26
Provision for doubtful debts and advances	185.80	0.37
(Profit)/Loss on sale of fixed assets (net)	(585.53)	4.11
Income from Long Term Investments	(25.27)	(21.53)
Interest on Deposits, Overdue receivables and others	(705.35)	(348.61)
Interest Expenses	109.99	17.27
Provision for doubtful debts/advances made in previous years written back	(16.08)	(36.74)
Excess provision of earlier year written back	(468.37)	(460.34)
Operating profit before working capital changes	1,006.83	3,283.06
Adjustments for:		
(Increase)/Decrease in trade and other receivables	(2,718.07)	1,700.90
Increase in inventories	(301.25)	(1,142.10)
Increase in trade payables	690.48	1,035.00
Increase in provisions	84.64	17.23
	(2,244.20)	1,611.03
Cash (used in)/generated from operations	(1,237.37)	4,894.09
Direct Taxes paid	(197.84)	(461.22)
Net cash (used in)/generated from operating activities	**(1,435.21)**	**4,432.87**
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of fixed assets including Capital work-in-progress	(1,671.68)	(4,538.83)
Sale proceeds of fixed assets	608.17	–
Loan given(net)	(2,285.41)	–
Interest received	705.35	348.61
Dividend received	25.27	21.53
Net Cash used for Investment activities	**(2,618.30)**	**(4,168.69)**

(Rs. in Lakhs)

For the year ended	31.03.2008	31.03.2007
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Long term borrowing	4,077.28	–
Payment of long term borrowing	–	(5.73)
Unclaimed Matured Deposits paid	(5.14)	(3.49)
Interest paid	(109.99)	(17.27)
Dividend paid	(788.74)	(790.32)
Dividend tax paid	(136.63)	(112.75)
Net Cash generated from/(used in) financing activities	**3,036.78**	**(929.56)**
Net decrease in cash and cash equivalents	(1,016.73)	(665.38)
Opening balance of cash and cash equivalents	1,903.19	2,568.57
Closing balance of cash and cash equivalents	886.46	1,903.19

Note:

Cash and cash equivalent as per balance sheet (Refer Schedule 9)	893.46	1,960.19
Less: Deposit under lien	7.00	7.00
Less : Margin money with bank	–	50.00
Cash and cash equivalent as reported above	**886.46**	**1,903.19**

As per attached report of even date
For **Deloitte Haskins & Sells**
Chartered Accountants
P. B. Pardiwalla
Partner

Hrishikesh A. Mafatlal
Chairman

C. R. Gupte
Managing Director

V. K. Gupte
Secretary

Rohit Arora
Berjis Desai
V. R. Gupte
C. L. Jain
Vishad P. Mafatlal
D. N. Mungale
N. Sankar
Directors

Place : Mumbai
Date : 2 May 2008

(Rs. in Lakhs)

As at	31.03.2008	31.03.2007
Schedule – 1 SHARE CAPITAL		
Authorised:		
1,200,000,000 Equity shares of Rs.10/- each	120,000.00	120,000.00
Issued and subscribed:		
160,786,980 Equity shares of Rs.10/- each, fully paid-up	16,078.70	16,078.70

Notes of the above:

a) 97,302,850,shares allotted as fully paid-up by way of bonus shares by capitalisation of General Reserve and Share Premium Account.

b) 13,302,850 shares allotted to the shareholders of Polyolefins Industries Limited pursuant to the scheme of amalgamation without payment in cash.

c) 38,181,280,shares allotted to erstwhile Secured Lenders without payment in cash in terms of the scheme of arrangement approved by the Bombay High Court.

Schedule – 2 RESERVES AND SURPLUS		
1. **Capital Reserve:**		
Balance at the commencement of the year	15.29	15.29
2. **Share Premium Account:**		
Balance at the commencement of the year	450.92	450.92
3. **Revaluation Reserve:** (Refer note 4 of Schedule 17)		
Balance at the commencement of the year	9,256.73	10,159.43
Less: Amount withdrawn and credited to Profit and Loss Account	794.19	902.70
	8,462.54	**9,256.73**
4. **General Reserve:**		
Balance at the commencement of the year	4,864.71	4,864.71
Less: Debit balance in Profit and Loss Account	558.45	742.25
	4,306.26	**4,122.46**
5. **Reserve for Contingency:** (Refer note no 5 of Schedule 17)		
Balance at the commencement of the year	3,000.00	3,000.00
6. Reserve under Section 45IC OF Reserve Bank of India Act		
Balance at the commencement of the year	58.72	58.72
Total	**16,293.73**	**16,904.12**

(Rs. in Lakhs)

As at	Notes	31.03.2008	31.03.2007
Schedule – 3 SECURED LOANS			
From banks			
– Working capital demand loan	1	800.00	–
– Packing credit loan	1	997.60	–
		1,797.60	–
Vehicle loan from a Bank	2	14.21	19.94
Total		**1,811.81**	**19.94**

Notes:

1. Loans from banks – working capital demad loan and packing credit loan are secured by hypothecation of stocks of raw materials, stocks-in-process, finished stocks, stores and spares, book debts and other current assets by way of first charge.
2. Secured by way of charge on the vehicles purchased.

Schedule – 4 UNSECURED LOANS		
Term loan from a financial Institution	2,285.41	–
Total	**2,285.41**	–

Schedule – 5 FIXED ASSETS AS AT 31.03.2008

PARTICULARS	Land Leasehold	Building	Plant and Machinery	Furniture Fixtures and Equipments	Vehicles	Total	As at 31.03.2007
Gross Block as at 1 April 2007 (at cost or valuation)	3,506.00	3,226.17	23,411.26	1,172.66	131.73	31,447.82	29,156.43
Additions	–	381.40	1,568.38	97.89	15.49	2,063.16	2,747.99
Disposals / Retirements	1.30	22.11	135.48	43.95	4.35	207.19	456.60
Gross Block as at 31 March 2008	3,504.70	3,585.46	24,844.16	1,226.60	142.87	33,303.79	31,447.82
Accumulated Depreciation upto 31 March 2008	1,095.56	1,173.43	12,241.45	588.20	32.91	15,131.55	13,674.83
Net Block as at 31 March 2008	2,409.14	2,412.03	12,602.72	638.40	109.96	18,172.24	17,772.99
Net Block as at 31 March 2007	2,461.45	2,152.40	12,397.15	651.79	110.20	17,772.99	
Depreciation for the year	51.28	107.87	1,365.91	103.44	12.78	1,641.28	
Capital work-in-progress (including capital advance of Rs. 176.95 lakhs (previous year Rs. 91.12 lakhs)).						**1,563.58**	**1,955.06**

Note:

Additions during the year and accumulated depreciation upto 31 March 2008, includes amount substituted for historical cost on revaluation as on 31 March 2006 and have been disclosed in note 4 of Schedule 17.

(Rs. in Lakhs)

As at		31.03.2008	31.03.2007
Schedule – 6 **INVESTMENTS (at cost or valuation)**			
Long term investments			
1. In Government Securities:			
National Saving Certificates (certificate deposited with Government Department)		0.01	0.01
2. Other Investments:			
18,538, 6.75% Tax free US64 Bonds of Unit Trust of India of Rs. 100 each		11.66	11.66
5,66,320 Equity shares of Rs.10/- each, fully paid in Mafatlal Industries Limited	Re. 1	–	–
5,66,340 Equity shares of Rs.10/- each, fully paid in Navin Fluorine International Limited (see note below)	Rs.200	–	–
1,000 Equity shares of Rs.10/- each, fully paid in HDFC Bank Limited		0.10	0.10
17,101 Equity shares of Rs.100/- each, fully paid in Mafatlal Engineering Industries Limited	Re. 1	–	–
1, Equity share of Rs. 2,000 fully paid in Shree Balaji Sahakari Sakhar Karkhana Limited		0.02	0.02
10,000 Equity shares of Rs.10/- each, fully paid in The Bharat Co–Operative Bank Limited		1.00	1.00
6,850,000 Equity shares of Rs.10/- each, fully paid in Mafatlal Finance Company Limited	Re. 1	–	–
19,900 Equity shares of Rs.10/- each, fully paid in Bank of India		8.96	8.96
2,400 Equity shares of Rs.10/- each, fully paid in Corporation Bank		1.89	1.89
23,000,000 Equity shares of Rs.10/- each, fully paid in Vibhadeep Investments and Trading Limited	Rs. 2	–	–
32,000 Ordinary shares of Stg. Pd. Of 10/- each, fully paid in Mafatlal Limited U.K.	Rs.2	–	–
22,320 Equity shares of Rs.10/- each, fully paid in Mafatlal Services Limited		22.32	22.32
10,560 Mastershares of Unit Trust of India of Rs.10/- each		0.86	0.86
50,000 Units of J.M.Mutual Fund of Rs.10/- each		5.00	5.00
30, 12% of I.C.C.I. (Series VII) of Rs.10/- each		3.01	3.01
Total		**54.83**	**54.83**
a) Aggregate of quoted investments			
Cost / Carrying amount		22.61	22.61
Market value		1,601.18	2,167.67
b) Aggregate of unquoted investments			
Cost / Carrying amount		(26.78)	32.22

Note:

566,320 shares of Navine Fluorine International Limited were received under the Rehabilitation scheme of Mafatlal Industries Limited sanctioned by the Board for Industrial and Financial Reconstruction in its order dated 30 October 2002.

(Rs. in Lakhs)

As at	31.03.2008	31.03.2007
Schedule – 7 INVENTORIES (at lower of cost or net realisable value)		
1. Stores and spares	479.00	424.30
2. Stock-in-trade		
a) Raw materials	2,665.58	2,027.46
b) Stock-in-process	1,135.27	923.12
c) Finished stocks		
Manufactured products	3,173.60	3,786.64
Trading products	27.27	17.95
	7,001.72	6,755.17
Total	**7,480.72**	**7,179.47**

Schedule – 8 SUNDRY DEBTORS		
Sundry debtors (unsecured):		
Outstanding over six months	228.23	312.74
Others	8,147.71	6,723.47
	8,375.94	7,036.21
Less: Provision	206.97	223.06
Total	**8,168.97**	**6,813.15**
Notes		
a) Considered good	8,168.97	6,813.15
b) Considered doubtful	206.97	223.06
	8,375.94	**7,036.21**

Schedule – 9 CASH AND BANK BALANCES		
1. Cash on hand including cheques on hand Rs. 278.94 lakhs (previous year Rs. 151.35 lakhs)	283.41	157.35
2. Remittances in transit	80.62	51.34
3. Bank balances:		
With Scheduled Banks:		
In current accounts	520.43	792.50
In deposit account (including margin money deposit aggregating to Rs. Nil, (previous year Rs. 50.00 lakhs), deposit includes Rs. 7.00 lakhs (previous year Rs. 7.00 lakhs) on which Bank has lien)	9.00	959.000
	529.43	1,751.50
Total	**893.46**	**1,960.19**

(Rs. in Lakhs)

As at	31.03.2008	31.03.2007
Schedule – 10 LOANS AND ADVANCES (unsecured, unless otherwise stated)		
1. Loans and advances @	5,656.41	3,371.00
2. Advances recoverable in cash or in kind or for value to be received	3,338.73	2,320.28
3. Advance payment of income - tax (net)	624.59	620.08
4. Balance with customs and excise	633.16	223.28
5. MAT credit entitlement	1,155.72	970.00
	11,408.61	7,504.64
Less: Provisions	679.81	494.01
Total	**10,728.80**	**7,010.63**
@ Includes Rs 1,000 lakhs secured by way of pledge of certain shares		
Notes:		
a) Considered good	10,728.80	7,010.63
b) Considered doubtful	679.81	494.01
	11,408.61	**7,504.64**

Schedule – 11 CURRENT LIABILITIES		
Acceptances	1,988.25	2,152.53
Sundry creditors	4,683.21	4,296.83
Unclaimed Dividends	28.82	13.62
Unclaimed matured Deposits	33.87	39.00
Total	**6,734.15**	**6,501.98**

Schedule – 12 PROVISIONS		
Employee benefits	754.04	669.40
Fringe benefit tax (net)	0.73	0.71
Proposed dividend	803.94	803.94
Corporate tax on dividend	136.63	136.63
Custom duty claims	718.77	718.77
Total	**2,414.11**	**2,329.45**

(Rs. in Lakhs)

For the year ended	31.03.2008	31.03.2007
Schedule – 13 OTHER INCOME		
1. Income from Long Term Investments		
i) Dividend	23.66	17.81
ii) Interest	1.61	3.72
	25.27	21.53
2. Interest on deposits, overdue receivables and others		
(tax deducted at source Rs. 33.18 lakhs, previous year Rs. 66.33 lakhs)	705.35	348.61
3. Claim for sales tax set off	118.05	139.40
4. Export incentives	488.59	666.82
5. Provision for doubtful debts / advances written back	16.08	36.74
6. Profit on Sale of fixed assets (net)	585.53	–
7. Excess provision written back	468.37	460.34
8. Rent received (net) (including tax deducted at source Rs. 87.25 lakhs, previous year Rs.71.21 lakhs)	93.21	72.00
9. Miscellaneous income	515.53	464.92
Total	**3,015.98**	**2,210.36**

Schedule – 14 (DECREASE)/INCREASE IN STOCKS OF FINISHED PRODUCTS AND STOCK-IN-PROCESS		
Stocks as at 31 March:		
Stock-in-process	1,135.27	923.12
Finished stocks:		
Manufactured products	3,173.60	3,786.64
Trading products	27.27	17.95
	4,336.14	**4,727.71**
Stocks as at 1 April:		
Stock-in-process	923.12	874.13
Finished stocks:		
Manufactured products	3,786.64	2,957.73
Trading products	17.95	25.60
	4,727.71	3,857.46
(Decrease)/Increase in excise duty on closing stock of finished products	(150.41)	97.76
(Decrease)/Increase	**(241.16)**	**772.49**

(Rs. in Lakhs)

For the year ended	31.03.2008	31.03.2007
Schedule – 15 MANUFACTURING AND OTHER EXPENSES		
1. **Materials consumed:**		
a) Raw materials	22,956.79	18,545.17
b) Packing materials	660.17	473.41
	23,616.96	**19,018.58**
2. **Utilities:**		
a) Power and fuel	4,258.42	3,314.73
b) Other utilities - water	183.68	127.98
	4,442.10	3,442.71
3. **Payments to and provisions for employees:**		
a) Salaries, wages and bonus	2,220.02	1,823.25
b) Contribution to provident and other funds	264.30	206.75
d) Staff welfare	152.59	204.05
	2,636.91	2,234.05
4. **Operating expenses:**		
a) Stores and spares	382.74	382.29
b) Processing charges	638.76	697.09
c) Rent	124.41	127.38
d) Rates, taxes and duties	351.27	291.98
e) Insurance	111.78	138.56
f) Repairs and maintenance to plant and machinery	432.69	412.56
g) Repairs and maintenance to buildings	73.36	82.75
h) Repairs and maintenance to - others	33.52	28.26
i) Travelling	82.71	76.49
j) Advertising and sales development expenses	21.05	10.90
k) Freight & forwarding charges (net)	986.88	679.78
l) Miscellaneous expenses	1,029.53	854.96
	4,268.70	**3,783.00**
5. Commission and discounts	542.27	502.35
6. Loss on sale of fixed assets (net)	–	4.11
7. Provision for doubtful debts and advances	186.35	0.37
Total	**35,693.29**	**28,985.17**

Schedule – 16 INTEREST		
On fixed loan	84.71	2.35
Others	25.28	14.92
Total	**109.99**	**17.27**

Schedule – 17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

A. SIGNIFICANT ACCOUNTING POLICIES:
COMPANY BACKGROUND

a) The Company has the following wholly owned subsidiaries:

Name of the Company	Nature of business
Ensen Holdings Limited	Investment Company.
Urvija Investments Limited	Investment Company.
PIL Chemicals Private Limited (acquired on 1 November 2006)	Processing of rubber chemical products

b) The company/subsidiaries have the following Investments in Associate Companies:

Name of the Company	Nature of Business	Proportion of ownership Interest 31 March 2008	Proportion of ownership interest 31 March 2007
Vibhadeep Investments and Trading Limited	Investment Company	48.94%	48.94%

SIGNIFICANT ACCOUNTING POLICIES

1. Principles of Consolidation

The subsidiaries are consolidated on a line-by-line basis in accordance with Accounting Standard 21 (AS–21) - “Consolidated Financial Statements”. Inter-company transactions and balances are eliminated on consolidation.

Investments in associates is accounted for under the Equity Method in accordance with Accounting Standard 23 (AS–23) - “Accounting for Investments in Associates in Consolidated Financial Statements”. Unrealised profits and losses resulting from transactions between the Company and the associates are eliminated to the extent of the Company’s interest in the associate.

For the purpose of consolidation, the financial statements of the subsidiaries and associate Companies are drawn upto 31 March 2008 which is the same reporting date of the Company.

2. Uniform Accounting Policies

The Company, its subsidiaries and Associate Companies in preparing their standalone annual financial statements have adopted uniform accounting policies as adopted by the Company.

3. Use of estimates

The preparation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and differences between actual results and estimates are recognised in the period in which the results are known/materialize.

4. Fixed Assets

Fixed Assets are stated at cost of acquisition or construction or at revalued amounts less accumulated depreciation.

5. Depreciation

i) Depreciation on fixed assets is provided, pro rata for the period of use, by the straight line method at the SLM rates prescribed in schedule XIV to the Act.

Schedule – 17 **SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS** *(Contd.)*

ii) Cost of leasehold land is written off over the period of lease.

iii) The additional depreciation on account of revaluation of fixed assets is spread over the balance useful life of the revalued assets. The additional charge of depreciation on account of revaluation is withdrawn from revaluation reserve and credited to Profit and Loss Account.

iv) Assets costing Rs.5000/- or less are fully depreciated in the year of purchase.

6. **Impairment of Assets**

An asset is considered as impaired in accordance with Accounting Standard 28 on Impairment of Assets when at balance sheet date there are indications of impairment and the carrying amount of the asset, or where applicable the cash generating unit to which the asset belongs, exceeds its recoverable amount (i.e. the higher of the asset's net selling price and value in use). The carrying amount is reduced to the recoverable amount and the reduction is recognised as an impairment loss in the profit and loss account.

7. **Operating Lease**

Operating lease payments are recognised as expenditure in the profit and loss account on a straight-line basis, which is representative of the time pattern of benefits received from the use of the assets taken on lease.

8. **Investments**

The Company has classified all its investments as "Long Term" in accordance with Accounting Standard 13 on "Accounting for Investments". Provision is made to recognise a decline, other than temporary, in the value of investments.

9. **Inventories**

Inventories are measured at lower of the cost and net realisable value. Cost of inventories comprise all costs of purchase (net of input credit), costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost of stores and spares, raw materials, trading and other products are determined on weighted average basis. Cost of stock-in-process and finished stock is determined by the absorption costing method.

10. **Employee benefits**

Short term employee benefits which are payable within twelve months after the end of the period in which the employees render service are measured at cost.

Long term employee benefits (benefits which are payable after the end of twelve months from the end of the period in which the employees render service) and post employment benefits (benefits which are payable after completion of employment) are measured on a discounted basis by the Projected Unit Credit Method on the basis of annual third party actuarial valuation.

Contributions to provident fund and superannuation fund, defined contribution plans, are recognised as an expenses when employees have rendered service entitling them to the contributions.

Gratuity, leave encashment and long service benefits costs (defined benefit plans) are determined using the Projected Unit Credit Method with actuarial valuations being carried out by third party actuaries at each balance sheet date.

11. **Foreign currency transactions**

Transactions in foreign currency are recorded at the original rates of exchange in force at the time the transactions are effected.

Foreign currency denominated assets and liabilities (monetary items) are translated into the reporting currency at the exchange rates prevailing on the Balance Sheet date.

Exchange differences arising on settlement of foreign currency transactions or restatement of foreign currency denominated assets and liabilities (monetary items) are recognised in the profit and loss account.

In case of monetary items which are covered by forward exchange contracts, the difference between the exchange rate on the date of such contracts and the year end rate is recognised in the Profit and Loss Account. Any profit/loss arising

Schedule – 17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS *(Contd.)*

on cancellation of forward exchange contract is recognised as income or expense of the year. Premium/Discount arising on such forward exchange contracts is amortised as income/expense over the life of the contract.

12. **Borrowing Costs**

Borrowing costs attributable to the acquisition or construction of a qualifying asset as defined in Accounting Standard 16, that is, those assets that take a period of 12 months or more in becoming ready for use are capitalised as part of the cost of acquisition. Other borrowing costs are expensed as incurred.

13. **Revenue recognition**

Revenue is recognised when it is earned and no significant uncertainty exists as to its realization or collection.

Revenue on sale of products is recognised when the products are dispatched to customers, all significant contractual obligations have been satisfied and the collection of the resulting receivable is reasonably expected. Sales are stated net of returns and sales tax recovered. Excise duty related to sales turnover is presented as a reduction from gross sales. Excise Duty related to finished goods is included under increase in stocks of finished products and stock-in-process (Schedule 15).

14. **Taxation**

Income tax is accounted for in accordance with Accounting Standard 22 on Accounting for Taxes on Income. Taxes comprise both current and deferred tax.

Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the applicable tax rates and tax laws.

Minimum Alternate Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal Income Tax during the specified period as per the provisions of Income Tax Act, 1961.

The tax effect of the timing differences that result between taxable income and accounting income and are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability. They are measured using the substantively enacted tax rates and tax regulations. The carrying amount of deferred tax assets at each balance sheet date is reduced to the extent that it is no longer reasonably certain that sufficient future taxable income will be available against which the deferred tax asset can be realised.

Fringe Benefits Tax (FBT) payable under the provisions of section 115WC of the Income-tax Act,1961 is, in accordance with the Guidance Note on Accounting for Fringe Benefit Tax issued by the ICAI, regarded as an additional income tax and considered in determination of the profits for the year. Tax on distributed profits payable in accordance with the provisions of Section 115-O of the Income-tax Act, 1961, is, in accordance with the Guidance Note on Accounting for Corporate Dividend Tax, regarded as a tax on distribution of profits and is not considered in determination of the profits for the year.

15. **Earnings Per Share**

The Company reports Earnings Per Share (EPS) in accordance with Accounting Standard 20 on Earnings Per Share. Basic EPS is computed by dividing the net profit for the year by the weighted average number of Equity shares outstanding during the year.

16. **Cash Flow statement**

The Cash Flow Statement is prepared by the indirect method set out in Accounting Standard 3 on Cash Flow Statements and presents the cash flows by operating, investing and financing activities of the Company. Cash and cash equivalents presented in the Cash Flow Statement consist of cash on hand and demand deposits with banks.

17. **Contingent Liabilities**

Contingent Liabilities as defined in Accounting Standard 29 are disclosed by way of notes to accounts. Provision is made if it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability.

Schedule – 17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS *(Contd.)*

B. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS:

(Rs. in Lakhs)

	2007-08	2006-07
1. Estimated amount of contract remaining to be executed on capital account and not provided for (net of advances)	818.21	170.10
2. Claims against the Company not acknowledged as debts	145.82	125.10
3. Contingent liability in respect of:		
a) Central excise duty and Customs duty demands disputed	131.94	147.50
b) Income tax demands disputed	1261.70	942.44
c) Sales tax demands disputed	782.29	783.55

4. On 31 March 2006, the Company revalued Leasehold Land, Building and Plant and Machinery based on a valuation report of Telos Consultancy Services Private Limited, an approved valuer. The valuation was made on the basis of current replacement values of the assets. The net block at 31 March 2006 was increased by Rs. 10,159.43 lakhs by transferring a similar amount to Revaluation Reserve. Additional depreciation amounting to Rs. 794.19 lakhs for the year on account of revaluation has been charged to Profit and Loss account and a similar amount has been withdrawn from the Revaluation Reserve and credited to the Profit and Loss Account.

5. The Company as at 31 March 2008 carries a total Contingency Reserve of Rs. 3,000 lakhs (previous year Rs. 3,000 lakhs) which, in its opinion, is adequate to meet any short fall/diminution in the ultimate realisation of its investments, current assets and loans and advances.

6. The Company is primarily engaged in the business of manufacturing and trading of rubber chemicals, which in the context of AS 17 on 'Segment Reporting' constitutes a single reporting segment.

7. The Company's significant leasing arrangements are in respect of operating leases for premises (residential, offices, godowns, subletting etc.). These lease arrangement are ranging between 11 months to 60 months generally or longer and are renewable by mutual consent or mutually agreeable terms. The aggregate lease rentals expenses and income for the year are Rs. 399.12 Lakhs (previous year Rs. 372.71 lakhs) and Rs. 367.92 Lakhs (previous year Rs. 317.33 lakhs) respectively.

8. **Related Parties**

   A) Name of related parties and description of relationship

   i) Others

   (Entities in which the Key Management Personnel have control or Significant influence).
   Navin Fluorine International Limited
   Mafatlal Industries Limited
   Mafatlal Finance Company Limited
   Eyeglobal Technologies Private Limited

   ii) Key Management Personnel

   Mr. C. R. Gupte

   iii) Relatives of Key Management Personnel

   Mr. V. R. Gupte
   Mrs. A. C. Gupte

Schedule – 17 **SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS** *(Contd.)*

B) Transactions with related parties

(Rs. in Lakhs)

Nature of Transactions	2007-08	2006-07
Purchase of Materials / Services:		
– Navin Fluorine International Limited	8.65	9.21
– Eyeglobal Technologies Private Limited	1.50	1.59
Reimbursement of Expenses:		
– Mafatlal Industries Limited	14.92	10.32
Remuneration Paid to Key Management Personnel:		
Mr. C.R.Gupte	97.08	95.46
Office Deposit paid to:		
Mafatlal Industries Limited	39.07	–
Loan Given to:		
Mafatlal Industries Limited	2285.41	–
Rent Paid to:		
Mafatlal Industries Limited	317.91	288.53
Navin Fluorine International Limited	28.80	28.80
Mr. V.R.Gupte	1.80	1.80
Mrs. A.C.Gupte	1.80	1.80
Amount outstanding at the year end:		
Inter Corporate Deposit given	4379.41	2094.00
Office / Flat Deposit given	520.14	481.07

Related party relationship is as identified by the Company and relied upon by the auditors.

9. a) **Provision for taxes comprises of:**

	2007-08	2006-07
Current Income tax	185.42	401.64
Deferred tax charge	547.97	1,070.00
Fringe benefit tax	18.00	19.09
Wealth tax	1.20	1.10
MAT credit entitlement	(185.42)	(400.00)
Excess provision of tax of earlier years	(11.94)	–
Total	**555.23**	**1,091.83**

b) **The components of Deferred Tax Liabilities are as under:**

	2007-08	2006-07
Depreciation	1,778.03	1,801,70
Unabsorbed depreciation and carried forward losses	(391.46)	(760.99)
Provision for doubtful debts and advances	(256.08)	(243.73)
Provision for leave encashment and gratuity	(255.39)	(227.51)
Payment for voluntary retirement	(57.92)	(103.45)
Others	627.51	446.11
Net deferred tax liability	**1,444.69**	**912.13**

Schedule – 17 **SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS** *(Contd.)*

10. **Earnings per share**

	2007-08	2006-07
Profit available to equity shareholders (Rupees in lakhs)	1,124.36	2,344.44
Weighted average number of Equity shares	160,786,980	160,786,980
Nominal value of Equity share (Rs.)	10	10
Earnings per share (Rs.) – Basic	0.70	1.46

Note: There is no dilution to the basic EPS as there were no outstanding dilutive potential equity shares.

11. Figures of the previous year have been regrouped / rearranged wherever necessary to correspond with the figures of the current year. Amounts and other disclosures for the preceding year are included as an integral part of the current year financial statements and are to be read in relation to the amounts and other disclosures relating to the current year.

		Rohit Arora	
Hrishikesh A. Mafatlal	**C. R. Gupte**	**Berjis Desai**	
Chairman	*Managing Director*	**V. R. Gupte**	
		C. L. Jain	*Directors*
		Vishad P. Mafatlal	
	V. K. Gupte	**D. N. Mungale**	
	Secretary	**N. Sankar**	

Place : Mumbai
Date : 2 May 2008

To the Members

PIL Chemicals Private Limited

The Directors present their report together with the Audited Accounts of the Company for the year ended 31st March 2008.

Financial Results

The Company has made a maiden profit of Rs. 2,67,556/- before tax. After providing for Fringe Benefit Tax of Rs 35,000/- the Net Profit for the year works out to Rs.2,32,556/-. After considering carry forward loss of Rs 1,05,80,316/- from the previous year, the accumulated loss as on 31st March 2008 works out to be Rs. 1,03,47,760/.

Dividend

The Directors do not recommend any dividend for the current year in view of the accumulated losses incurred by the Company.

Particulars of Employees

None of the employees are drawing salary in excess of the limits prescribed as per the provisions of Section 217 (2A) of the Companies Act, 1956.

Other Particulars

Additional information on conservation of energy and technology absorption as required to be disclosed in terms of Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is set out in Form A and forms a part of this report. There was no foreign exchange earning or outgo during the year.

Directors

Mr. Nikhilesh G. Dhuldhoya resigned as a Director and Chairman of the Company w.e.f. 15th April, 2008. The Directors have placed on record their appreciation for the valuable services rendered by Mr. Nikhilesh G. Dhuldhoya during his tenure as a Director and Chairman of the Company.

Mr. S.R. Deo, was appointed as the Chairman of the company w.e.f. 15th April, 2008.

Mr. R.M. Gadgil retires by rotation in accordance with the provisions of the Companies Act, 1956 and being eligible, offers himself for re-appointment.

Directors' Responsibility Statement

The Directors confirm:

a. That in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same.

b. That they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give 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.

c. That they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

d. That they have prepared the accounts for the period on a going concern basis.

Auditors

The term of M/s. Borkar & Muzumdar, Chartered Accountants, as Auditors of the Company expires at the conclusion of this Annual General Meeting and are eligible for re-appointment. The Auditors have given a certificate to the effect that the reappointment, if made, will be within the prescribed limits specified under Section 224 (1B) of the Companies Act, 1956.

Acknowledgements

Your directors acknowledge the continued support and co-operation from Banks and Government Bodies.

For and on behalf of the Board

Place : Mumbai
Date : 28 April 2008

S. R. Deo
Chairman

Form A

Disclosure of particulars with respect to conservation of energy April 2007 to March 2008

		2007-08	Previous Period
A. POWER AND FUEL CONSUMPTION			
1. Electricity (For Manufacturing)			
a) Purchased			
Unit MWH	3018	947	
Total amount	Rs.Lakhs	130.94	41.77
Rate/Unit (average)	Rs./KWH	4.34	4.41
b) Own Generation (Through Diesel Generator)			
Unit MWH	106	–	–
Unit/MT of Diesel Oil	MWH	2.50	–
Fuel Cost/Unit	Rs./KWH	14.12	–
Through Steam/Turbine Generator		–	–
2. Coal			
Quantity	MT	2328.46	819.72
Total Cost	Rs.Lakhs	91.36	30.95
Average rate	Rs/MT	3923	3776
3. Furnace Oil		–	–
B. CONSUMPTION PER UNIT OF PRODUCTION			
Electricity	MWH/MT	3.54	3.58
Fuel/LSHS	MT/MT	–	–
Furnace Oil	MT/MT	2.64	3.10

Note: Previous period figures are for 5 months (From 1 November 2006 to 31 March 2007)

Auditors' Report

To the Members of
PIL Chemicals Private Limited

1. We have audited the attached Balance Sheet of **PIL Chemicals Private Limited** as on 31 March 2008 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies [Auditors' Report] Order, 2003 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we consider appropriate, and according to the information and explanation given to us during the course of audit, we enclose in the Annexure, a statement of the matters specified in the paragraphs 4 and 5 of the said Order to the extent applicable to the Company for the year under reference.
4. Further to our comments in the annexure referred to in paragraph 3 above, we further report that:
   a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose 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, the Profit and Loss Account and Cash Flow Statement comply with the applicable Accounting standards referred to under sub-section (3C) of the section 211 of the Companies Act, 1956;
   e. On the basis of written representations received from the Directors, and taken on record by the Directors, we report that none of the Director is disqualified as on 31 March 2008 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 knowledge and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
      i. In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March, 2008 and
      ii. In the case of Profit and Loss Account of the profit for the year ended on that date.
      iii. In case of the Cash Flow Statement, of the cash flow for the year ended on that date.

For **Borkar and Muzumdar**
Chartered Accountants

Rajesh Batham
Partner
(Membership No.35941)

Place : Mumbai
Date : 28 April 2008

Annexure to Auditors' Report

(Referred to in paragraph 3 of our report of even date)

1. **Fixed Assets**
   a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
   b) Some of the fixed assets have been physically verified during the year by the management in accordance with a programme of verification, which in our opinion provides for physical verification of all fixed assets at reasonable intervals. According to the information and explanation given to us no material discrepancies were noticed on such verification.
2. **Inventories**
   a) The management has informed us that they have physically verified the inventory at the end of the year and that no material discrepancies were noticed on such physical verification. In our opinion, considering the nature of business and size of the Company, the frequency of verification is reasonable.
   b) In our opinion and according to the information and explanation given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
3. **Loans And Advances**
   In respect of loans, secured or unsecured, the Company has not granted or taken during the year to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clause (iii) of Paragraph 4 of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.
4. **Internal Control**
   In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to purchases of inventory, fixed assets and for sale of goods. The activities of the Company

do not involve sale of services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control.

5. **Transactions With Related Parties As Per Register Of Contracts Under Section 301 Of The Companies Act, 1956.**
   a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
   b) In our opinion and according to the information and explanations given to us, the transactions have been made at prices and terms which were prevalent in the market at the relevant time.

6. **Deposits From Public**
   The Company has not accepted any deposits from the public under the provisions of section 58A and section 58AA and any other relevant provision of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.

7. **Internal Audit System**
   In our opinion, the internal audit carried out by the Internal Audit Department of the Company is commensurate with the size of the Company and the nature of its business.

8. **Cost Records**
   According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 in respect of operations carried out by the Company.

9. **Statutory Dues**
   a) According to the records of the Company, undisputed statutory dues including provident fund, income-tax, sales-tax, custom duty, excise duty, cess and other statutory dues have been regularly deposited with the appropriate authorities.
   b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, sales tax, customs duty, excise duty and cess and other applicable statutory dues were in arrears, as at 31st March, 2008 for a period of more than six months from the date they became payable.

10. **Sick Industry**
    The accumulated losses of the Company at the end of financial years 2007-08 and 2006-07 do not exceed fifty percent of its net worth and the Company has made profit in the current financial year.

11. **Dues To Financial Instituions**
    In our opinion and according to the information and explanations given to us, the Company has not taken any loans from banks and financial institutions. The Company has not obtained any borrowings by way of debentures.

12. **Secured Loans And Advances Granted**
    In our opinion and according to the explanation given to us and based on our examination of documents and records, no loans or advances have been granted on the basis of security by way of pledge of shares, debentures and other securities.

13. **Chit Fund, Nidhi Or Mutual Benefit Company**
    The Company is not a chit fund or a nidhi / mutual benefit fund/ society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditors Report) Order, 2003 are not applicable to the Company.

14. **Investment Company**
    In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditors Report) Order, 2003 are not applicable to the Company.

15. **Guarantees Given By Company**
    In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

16. **Term Loans**
    No term loans have been taken by the company during the year under audit. Therefore, the provisions of clause 4 (xvi) of the Companies (Auditors Report) Order, 2003 are not applicable to the Company.

17. **Sources Of Fund And Its Application**
    According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that the no funds raised on short-term basis have been used for long-term investment nor have any long- term funds have been used to finance short-term assets except as permanent working capital.

18. **Preferential Issue**
    According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under section 301 of the Act.

19. **Debentures**
    The Company has not issued any debentures. Therefore, the provisions of clause 4 (xix) of Companies (Auditors Report) Order, 2003 are not applicable to the Company.

20. **Public Issue**
    The Company has not raised any money through a public issue during the year. Therefore the provisions of clause 4 (xx) of the Companies (Auditors Report) Order, 2003 are not applicable to the Company.

21. **Fraud**
    According to the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the period covered by the audit.

For **Borkar and Muzumdar**
Chartered Accountants

Rajesh Batham
Partner
(Membership No.35941)

Place : Mumbai
Date : 28 April 2008

(Amount in Rupees)

As at	Schedule		31.03.2008	31.03.2007
SOURCES OF FUNDS				
1. Shareholders' Funds				
a) Capital	1	40,100,000.00		40,100,000.00
b) Reserves and surplus	2	80,000,000.00		80,000,000.00
			120,100,000.00	120,100,000.00
2. Loan Funds				
a) Unsecured loans	3		114,626,075.00	85,911,456.00
Total			**234,726,075.00**	**206,011,456.00**
APPLICATION OF FUNDS				
3. Fixed Assets:				
a) Gross Block	4	209,722,949.09		195,000,000.00
b) Less: Depreciation		12,428,634.65		3,821,649.00
c) Net block		197,294,314.44		191,178,351.00
d) Capital work-in-progress		31,370,500.86		5,299,067.00
			228,664,815.30	196,477,418.00
4. Current assets, loans and advances				
a) Inventories	5	1,743,207.04		838,282.00
b) Cash and bank balances	6	949,517.95		1,631,641.00
c) Loans and advances	7	11,758,976.51		3,041,502.41
		14,451,701.50		5,511,425.41
Less: Current liabilities and provisions:				
a) Liabilities	8	18,406,651.70		6,549,135.56
b) Provisions	9	331,550.00		8,568.00
		18,738,201.70		6,557,703.56
Net current assets			(4,286,500.20)	(1,046,278.15)
5. Debit balance in Profit and Loss Account (per contra .... Schedule 2)			10,347,759.90	10,580,316.15
Total			**234,726,075.00**	**206,011,456.00**
Significant Accounting Policies and notes to Balance Sheet and Profit and Loss Account	12			

As per attached report of even date

For **Borkar & Muzumdar**
Chartered Accountants

Rajesh Batham
Partner
Membership No. 35941
Place : Mumbai
Date : 28 April 2008

For on behalf of Board of Directors

S.R. Deo — *Chairman*

P. Srinivasan — *Director*

Profit and Loss Account

(Amount in Rupees)

For the year ended	Schedule		31.03.2008	31.03.2007
INCOME				
Processing Charges Income		55,712,330.00		10,107,930.00
Other Income		3,183,483.11		–
			58,895,813.11	10,107,930.00
EXPENDITURE				
Manufacturing and other expenses	10	42,083,984.32		15,064,585.15
Depreciation		8,606,985.65		3,821,649.00
Interest	11	7,937,286.89		1,755,043.00
			58,628,256.86	20,641,277.15
Profit before tax			267,556.25	(10,533,347.15)
Provision for Taxation:				
Current Income tax		30,020.00		–
Fringe benefit tax		35,000.00		8,568.00
MAT Credit Entitlement		(30,020.00)		–
			35,000.00	8,568.00
Profit after tax			232,556.25	(10,541,915.15)
Deficit brought forward from previous period			(10,580,316.15)	(38,401.00)
Balance carried to balance sheet			(10,347,759.90)	(10,580,316.15)
Earnings per share of face value of Rs. 10 each				
Basic			0.06	(2.63)
Diluted (Refer note no. 7 of Schedule 12)				
Significant Accounting Policies and notes to Balance Sheet and Profit and Loss Account	12			

As per attached report of even date

For **Borkar & Muzumdar**
Chartered Accountants

Rajesh Batham
Partner
Membership No. 35941
Place : Mumbai
Date : 28 April 2008

For on behalf of Board of Directors

S.R. Deo
Chairman

P. Srinivasan
Director

(Amount in Rupees)

For the year ended		31.03.2008	31.03.2007
A. CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		267,556.25	(10,533,347.15)
Adjustments for:			
Depreciation	8,606,985.65		3,821,649.00
Interest	7,937,286.89		1,755,043.00
		16,544,272.54	5,576,692.00
Operating profit before working capital changes		**16,811,828.79**	**(4,956,655.15)**
Adjustments for			
Decrease/Increase in trade and other receivables	(7,474,690.10)		(2,735,423.00)
Increase in inventories	(904,925.04)		(838,282.00)
Increase / (Decrease) in trade payables	11,857,516.14		6,521,748.00
Increase in provisions	287,982.00		–
		3,765,883.00	2,948,043.00
Cash generated from operations		20,577,711.79	(2,008,612.15)
Direct Taxes paid		(1,242,784.00)	(226,823.00)
Net cash generated from operating activities		19,334,927.79	(2,235,435.15)
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets (net)		(40,794,382.95)	(200,299,067.00)
Movement in loans and deposits		28,714,619.00	85,911,456.00
Issue of Share (with Premium)		–	120,000,000.00
Net Cash (used in)/ generated from Investment activities		**(12,079,763.95)**	**5,612,389.00**
C. CASH FLOW FROM FINANCING ACTIVITIES			
Interest paid		(7,937,286.89)	(1,755,043.00)
Net Cash used in financing activities		**(7,937,286.89)**	**(1,755,043.00)**
Net (decrease)/increase in cash and cash equivalents		682,123.05	1,621,910.85
Opening balance of cash and cash equivalents		1,631,641.00	9,730.15
Closing balance of cash and cash equivalents		949,517.95	1,631,641.00

As per attached report of even date

For **Borkar & Muzumdar**
Chartered Accountants

Rajesh Batham
Partner
Membership No. 35941
Place : Mumbai
Date : 28 April 2008

For on behalf of Board of Directors

S.R. Deo
Chairman

P. Srinivasan
Director

(Amount in Rupees)

As at		31.03.2008	31.03.2007
Schedule – 1 SHARE CAPITAL			
Authorised			
5,000,000 Equity shares of Rs. 10 each		50,000,000.00	50,000,000.00
Issued and subscribed			
40,01,000 Equity shares of Rs. 10 each, fully		40,100,000.00	40,100,000.00

Schedule – 2 RESERVES AND SURPLUS			
1. **Share Premium Account**			
Balance at the commencement of the year	80,000,000.00		80,000,000.00
Add: Share Premium received during the year	–		–
		80,000,000.00	80,000,000.00
2. **Profit & Loss Account**			
Balance at the commencement of the year	10,580,316.15		–
Less: Credit balance in Profit and Loss Account	232,556.25		10,580,316.15
Less: Debit balance in Profit and Loss Account transferred to Balance Sheet (per contra)	(10,347,759.90)		10,580,316.15
		–	–
Total		**80,000,000.00**	**80,000,000.00**

Schedule – 3 UNSECURED LOANS			
Loans and advances from NOCIL		114,626,075.00	85,911,456.00
Total		**114,626,075.00**	**85,911,456.00**

Schedule – 4 FIXED ASSETS

	Land Leasehold	Building	Plant and Machinery	As at 31.3.2008	As at 31.3.2007
Original Cost	32,500,000.00	24,100,000.00	138,400,000.00	195,000,000.00	–
WDV as on 1–4–2007	32,312,355.00	23,809,740.00	135,056,256.00	191,178,351.00	–
Additions	–	8,942,006.28	5,780,942.81	14,722,949.09	195,000,000.00
Disposal / Retirements / Adjustments	–	–	–	–	–
Total Cost as at 31.3.2008	32,500,000.00	33,042,006.28	144,180,942.81	209,722,949.09	195,000,000.00
Depreciation upto 31.3.2008	637,993.00	995,987.08	10,794,654.57	12,428,634.65	3,821,649.00
Net Value as on 31.3.2008	31,862,007.00	32,046,019.20	133,386,288.24	197,294,314.44	
Net Value as on 31.3.2007	32,312,355.00	23,809,740.00	135,056,256.00	191,178,351.00	191,178,351.00
Depreciation for the year	**450,348.00**	**705,727.08**	**7,450,910.57**	**8,606,985.65**	
Capital Work in Progress [Including Capital Advances of Rs. 538,832.89 (Previous year Rs. NIL)]				31,370,500.86	5,299,067.00

(Amount in Rupees)

As at		31.03.2008	31.03.2007
Schedule – 5 INVENTORIES (at cost or net realisable value whichever is lower)			
1. Stores, spares and Consumables	1,743,207.04		838,282.00
Total		**1,743,207.04**	**838,282.00**

(Amount in Rupees)

As at		31.03.2008	31.03.2007
Schedule – 6 CASH AND BANK BALANCES			
1. Cash on hand	13,572.00		340.00
2. Remittances in transit	–		1,570,261.00
3. Bank balances :			
With Scheduled Banks:			
In current accounts	935,945.95		61,040.00
Total		949,517.95	1,631,641.00

Schedule – 7 LOANS AND ADVANCES			
1. Advances recoverable in cash or in kind or for value to be received	10,149,349.51		2,764,679.41
2. Advance payment of income Tax	1,469,607.00		226,823.00
3. MAT Credit Entitlement	30,020.00		–
4. Balance with Customs and Excise	110,000.00		50,000.00
		11,758,976.51	3,041,502.41
Less: Provision		–	–
Total		11,758,976.51	3,041,502.41
Notes:			
a) Considered good		11,758,976.51	3,041,502.41
b) Considered doubtful		–	–
		11,758,976.51	3,041,502.41

Schedule – 8 CURRENT LIABILITIES			
Sundry Creditors	12,267,954.70		5,209,679.56
Interest accrued but not due on loans	6,138,697.00		1,339,456.00
Total		18,406,651.70	6,549,135.56

Schedule – 9 PROVISIONS			
Provision towards Gratuity	115,066.00		–
Provision towards Leave Encashment	151,464.00		–
Provision for MAT Tax	30,020.00		–
Provision for Fringe benefit tax	35,000.00		8,568.00
Total		331,550.00	8,568.00

(Amount in Rupees)

For the year ended		31.03.2008	31.03.2007
Schedule – 10 MANUFACTURING AND OTHER EXPENSES			
1. Utilities			
a) Power and fuel	23,891,039.00		8,042,224.00
b) Other utilities	2,629,258.00		241,338.00
		26,520,297.00	8,283,562.00
2. Payments to and provisions for employees			
a) Salaries, wages and bonus	5,372,695.00		1,444,768.00
b) Contribution to provident and other funds	462,932.00		119,460.00
c) Gratuity including provision for gratuity	115,066.00		43,000.00
d) Staff welfare	294,461.00		136,366.00
		6,245,154.00	1,743,594.00
3. Operating expenses			
a) Stores and spares	1,037,975.00		1,554,252.30
b) Rates,taxes and duties	161,005.00		287,806.00
c) Insurance	356,552.00		180,805.00
d) Repairs and maintenance to plant and machinery	3,442,491.57		922,988.60
e) Repairs and maintenance to buildings	–		70,305.00
f) Repairs and maintenance to - others	9,281.00		9,015.00
g) Travelling	49,928.00		10,319.00
h) Miscellaneous expenses	4,261,300.75		2,001,938.25
		9,318,533.32	5,037,429.15
Total		**42,083,984.32**	**15,064,585.15**

Schedule – 11 INTEREST			
On fixed loans and deposits		–	–
Others		7,937,286.89	1,755,043.00
Total		**7,937,286.89**	**1,755,043.00**

Schedule – 12 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

A. SIGNIFICANT ACCOUNTING POLICIES:

1. **Basis of preparation of financial statements**

   The accompanying financial statements have been prepared at historical cost convention, in accordance with generally accepted accounting principles in India and the provisions of the Companies Act, 1956 (the "Act").

2. **Use of estimates**

   The preparation of financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and differences between actual results and estimates are recognized in the period in which the results are known/materialize.

3. **Fixed Assets**

   Fixed Assets are stated at cost of acquisition or construction less accumulated depreciation.

4. **Impairment of Assets**

   An asset is considered as impaired in accordance with Accounting Standard 28 on Impairment of Assets when at balance sheet date there are indications of impairment and the carrying amount of the asset, or where applicable the cash generating unit to which the asset belongs, exceeds its recoverable amount (i.e. the higher of the asset's net selling price and value in use). The carrying amount is reduced to the recoverable amount and the reduction is recognized as an impairment loss in the profit and loss account.

5. **Operating Lease**

   Operating lease payments are recognized as expenditure in the profit and loss account on a straight-line basis, which is representative

Schedule – 12 **SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS** *(CONTD.)*

of the time pattern of benefits received from the use of the assets taken on lease.

6. **Depreciation**

   i) Depreciation on fixed assets is provided, pro rata for the period of use, by straight line method at the SLM rates prescribed in schedule XIV to the Act.

   ii) Cost of leasehold land is written off over the period of lease.

   iii) Assets Costing Rs 5000/- or less are fully depreciated in the year of purchase.

7. **Investments**

   The company has classified all its investments as "Long Term" in accordance with Accounting Standard 13 on "Accounting for Investments". Provision is made to recognize a decline, other than temporary, in the value of investments.

8. **Inventories**

   Items of inventories are measured at lower of the cost or net realizable value. The cost of inventories comprised of all cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined by using the First-In First-Out Method (FIFO).

9. **Retirement benefits**

   Gratuity payable to employees is covered under LIC Group Gratuity-cum-Life Assurance Scheme. Contribution is also made to LIC Super Annuation Fund and contribution in respect of Provident Fund is made to Government Authorities. Provision is made for leave encashment on the basis of accrued leave as per Company's leave rules.

10. **Borrowing Costs**

    Borrowing costs, attributable to the acquisition or construction of a qualifying asset as defined in Accounting Standard 16, that is, those assets that take a period of 12 months or more in becoming ready for use, are capitalized as part of the cost of acquisition. Other borrowing costs are expensed as incurred.

11. **Revenue recognition**

    Revenue is recognized when it is earned and no significant uncertainty exists as to its realization or collection.

12. **Taxation**

    Income tax is accounted for in accordance with Accounting Standard 22 on Accounting for Taxes on Income. Taxes comprise both current and deferred tax.

    Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the applicable tax rates and tax laws.

    The tax effect of the timing differences that result between taxable income and accounting income and are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability. They are measured using the substantively enacted tax rates and tax regulations. The carrying amount of deferred tax assets at each balance sheet date is reduced to the extent that it is no longer reasonably certain that sufficient future taxable income will be available against which the deferred tax asset can be realized.

    Fringe Benefits Tax (FBT) payable under the provisions of section 115 WC of the Income-tax Act, 1961 is, in accordance with the Guidance Note on Accounting for Fringe Benefit Tax issued by the ICAI, regarded as an additional income tax and considered in determination of the profits for the year. Tax on distributed profits payable in accordance with the provisions of Section 115-O of the Income tax Act, 1961, is, in accordance with the Guidance Note on Accounting for Corporate Dividend Tax, regarded as a tax on distribution of profits and is not considered in determination of the profits for the year.

13. **Contingent Liabilities**

    Contingent Liabilities as defined in Accounting Standard 29 are disclosed by way notes to accounts. Provision is made if it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as contingent liability.

14. **Earnings Per Share**

    The Company reports Earnings Per Share (EPS) in accordance with Accounting Standard 20 on Earnings Per Share. Basic EPS is computed by dividing the net profit for the year by the weighted average number of Equity shares outstanding during the year.

15. **Cash Flow statement**

    The Cash Flow Statement is prepared by the indirect method set out in Accounting Standard 3 on Cash Flow Statements and presents the cash flows by operating, investing and financing activities of the company. Cash and cash equivalents presented in the Cash Flow Statement consist of cash on hand and demand deposits with banks.

Schedule – 12 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS *(CONTD.)*

A. **Notes to Financial Statements:**

1. The company is primarily engaged in the business of processing of rubber chemicals, which in the context of AS 17 on 'Segment Reporting' constitute a single reporting segment.

2. **Manufacturing Expenses includes the following:**

(Amount in Rupees)

No.	Particulars	Amount
a)	Sundry Labour	31,12,113
b)	Audit Fees and other matters	1,00,000

3. As at 31st March, 2008, the Company has deferred tax asset of Rs.1,09,74,938 mainly on account of unabsorbed depreciation and unabsorbed business losses, out of which Rs.66,92,807 have been accounted for to match the reversal of liability on account of depreciation. The balance amount of deferred tax asset has not been accounted for considering the principle of virtual certainty as stated in Accounting Standard 22 "Taxes on Income" issued by The Institute of Chartered Accountants of India.

4. **Related Parties**

A) Name of related parties and description of relationship

i) Holding Company — NOCIL Limited

B) Transactions with related parties

Name of the Party	Relation	Nature of Transaction	Year ended 31.03.2008	Year ended 31.03.2007
NOCIL Limited	Holding Company	Loan taken during the year	287.15 Lakhs	859.11 Lakhs
		Services Rendered	557.12 Lakhs	101.08 Lakhs
		Interest Expenses	79.37 Lakhs	17.27 Lakhs
Amount Outstanding (Rs.)	On loan taken		1146.26 Lakhs	859.11 Lakhs
	Interest Payable		61.39 Lakhs	13.39 Lakhs

Related party relationship is as identified by the company and relied upon by the auditors.

Notes:

1. Loan from NOCIL is taken at the interest rate of 7.50% per annum.

5. **Earning per shares**

Particulars	Year ended 31.03.2008	Year ended 31.03.2007
Profit/(Loss) available to Equity Share		
Holders (Rupees in Lakhs)	2.33	(105.42)
Weighted average number of Equity Shares	40,01,000	40,01,000
Nominal Value of Equity Share (Rs.)	10	10
Earnings per Share (Rs.) – Basic	0.06	(2.63)

Notes:

There is no dilution to the Basic EPS as there were no outstanding dilutive potential equity shares.

Schedule – 12 **SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS** *(CONTD.)*

A. Notes to Financial Statements:

6. Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of Part II of Schedule VI of the Companies Act, 1956:

(Rs in Lakhs)

	Unit	2007-08		2006-07	
		Quantity	Value	Quantity	Value
a) Goods converted for third party:					
Rubber Chemicals	MT	882	557.12	*270	101.08
Total		**882**	**557.12**	**270**	**101.08**

B) Capacity & Production	Unit	2007-08	2006-07
		Rubber Chemicals	Rubber Chemicals
Licensed Capacity	MT	N.A.	N.A.
Installed Capacity	MT	1,000	1,000
Actual Production	MT	882	545

Notes:

@ Installed capacity is as certified by the management.

@@ Installed capacity of 1,000 MT represents the installed capacity of Unit III located at Vapi on annual basis.

* Represents the actual production for the period November 2006 to March 2007.

N.A. – not applicable

7. Value of Stores and Spares consumed:

(Rs in Lakhs)

2007-08				2006-07			
Imported		Indigenous		Imported		Indigenous	
Value	% of total consumption	Value	% of total consumption	Value	% of total consumption	Value	% of total consumption
Nil	–	10.38	100.00	Nil	–	15.54	100.00

8. Figures of the previous year have been regrouped/ rearranged wherever necessary to correspond with the figures of the current year. Amounts and other disclosures for the preceding period are included as an integral part of the current year financial statements and are to be read in relation to the amounts and other disclosures relating to the current year. Further, they are not strictly comparable as they pertain to 5 months period during which the operations were carried out; the same being the first year of operation after acquisition of the Company.

As per attached report of even date

For on behalf of Board of Directors

For **Borkar & Muzumdar**
Chartered Accountants

Rajesh Batham
Partner
Membership No. 35941
Place : Mumbai
Date : 28 April 2008

S.R. Deo *Chairman*

P. Srinivasan *Director*

Balance Sheet Abstract

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. 1 1 0 4 3 1 6 9 R

State Code 1 1

Balance Sheet Date 3 1 / 0 3 / 2 0 0 8 (Date / Month / Year)

II. Capital raised during the year

Public Issue: NIL	Rights Issue: NIL
Bonus Issue: NIL	Private Placement: NIL

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

Total Liabilities: 234726	Total Assets: 234726

Sources of Funds

Paid-Up Capital: 40100	Reserves and Surplus: 80000
Secured Loans: NIL	Unsecured Loans: 114626

Application of Funds

Net Fixed Assets: 228665	Investments: NIL
+ √ – Net Current Assets: 4287	Misc. Expenditure: NIL
Accumulated Losses: 10348	

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

Turnover: 55712	Total Expenditure: 58628
+ √ – Profit/Loss before Tax: 268	+ √ – Profit/Loss after Tax: 233
(Please tick Appropriate box + for Profit - for Loss)	
Earning Per Share in Rs.: 0.60	Dividend rate %: – –

V. Generic Names of Three Principal Products/Services of Company (as per monetory terms)

Items Code No.(ITC Code)	Product Description
NIL	NIL

For on behalf of Board of Directors

Place : Mumbai

Date : 28 April 2008

S.R. Deo *Chairman*

P. Srinivasan *Director*

To the Members

ENSEN Holdings Limited

The Directors present their report together with the Audited Accounts of the Company for the year ended 31 March, 2008.

Financial Results

The Company had granted a loan of Rs.397 lakhs to Mafatlal Industries Limited (MIL) in the year 2000. MIL has repaid a part of the said loan to the Company and a balance sum of Rs.277 lakhs remains as receivable. NOCIL LIMITED had given a loan to the Company of Rs.127.08 lakhs to fund the loan to be paid to MIL.

MIL had filed a Scheme of Arrangement u/s 391 of the Companies Act, 1956 in Gujarat High court for restructuring of its debts of the secured creditors. As per the Scheme and Agreement reached with the other secured creditors of Mafatlal Industries Limited, the Company will receive a sum of Rs.91.00 lakhs from MIL as against total balance receivable of Rs.277.00 lakhs.

In view of the above restructuring, NOCIL LIMITED has written off loan and advances of Rs.127.08 lakhs given to the Company and therefore during the year under review the Company has returned back the liability of Rs.127.08 lakhs.

During the year under review the company has made a loss of Rs.58.29 lakhs after above adjustments.

Dividend

In view of losses, the Directors do not recommend any dividend.

Deposits

The Company has not accepted any deposits and hence there were no outstanding deposits as on 31 March, 2008. The Company has given an undertaking to Reserve Bank of India (Amendment) Act, 1997, not to accept any deposits without its prior approval.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Being an investment company, there are no particulars to be furnished in this report as required by section 217(1) (e) of the Companies Act, 1956 relating to conservation of energy and technology absorption. There was no foreign exchange earnings or outgo during the year.

Particulars of Employees

As there were no employees drawing any salary, the provisions of Section 217(2A) of the Companies Act, 1956, are not applicable to the Company.

Directors

Mr. U.M. Karnik resigned from the Directorship of the Company with effect from 11 April, 2008. The Directors have placed on record their appreciation for the valuable services rendered by Mr. U.M. Karnik during his tenure as a Director of the Company.

Mr. S.R. Deo and Mr. P. Srinivasan were appointed as Additional Directors of the Company with effect from 11 April, 2008 and hold office upto the forthcoming Annual General Meeting. The Company has received a notice from a member signifying his intention to propose Mr. S.R. Deo and Mr.P.Srinivasan as candidate for the office of Director.

Mr. S.R. Deo has a M.Tech Degree in Chemical Engineering from Kanpur and has all-round experience in the field of Manufacturing, Projects, Business Strategy, Technology and Marketing for last 29 years.

Mr. P. Srinivasan is a Chartered Accountant and has 19 years varied experience in the fields of Finance, Banking, Accounts and Taxation.

The Directors feel that the appointment of Mr. S.R. Deo and Mr. P. Srinivasan will be in the interest of the Company.

Mr. C.R. Gupte, retires by rotation in accordance with the provisions of the Companies Act, 1956 and being eligible, offers himself for re-appointment.

Directors Responsibility Statement

The Directors confirm:

a. that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same.

b. that they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period.

c. that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

d. that they have prepared the Accounts for the period on a going concern basis.

Auditors

The term of M/s. Deloitte Haskins & Sells, Chartered Accountants, as Auditors of the Company expires at the conclusion of this Annual General Meeting and are eligible for re-appointment. The auditors have given a certificate to the effect that the reappointment, if made, will be within the prescribed limits specified under Section 224 (1B) of the Companies Act, 1956.

Acknowledgements

Your directors acknowledge the continued support and co-operation from Banks and Government Bodies.

For and on behalf of the Board

Place : Mumbai
Date : 28 April 2008

C.R. Gupte
Chairman

Auditors' Report

To the Members of
ENSEN Holdings Limited

1. We have audited the attached Balance Sheet of Ensen Holdings Limited as at 31 March 2008 and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure, a Statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

   a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.

   b. In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books.

   c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the above books of account.

   d. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards referred to in sub - section (3C) of Section 211 of the Companies Act, 1956.

   e. On the basis of written representations received from the Directors as at 31 March 2008 and taken on record by the Board of Directors, we report that none of the directors are disqualified as at 31 March 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 on the said date.

   f. Attention is invited to the following notes of schedule 8 B:

      1. Note no. 1 regarding an amount of Rs 27,700,000/- being the secured loan given to a company which is in the process of implementing the Rehabilitation Scheme sanctioned by the Board of Industrial and Financial Reconstruction (BIFR). During the year company has made provision of Rs. 18,559,000/- against the above amount, the balance amount is considered good for the reasons explained in the note. We are unable to express an opinion in this regard.

      2. Note no. 2 regarding the financial statements being prepared on a going concern basis. The ability of the Company to continue in operations in the foreseeable future is dependant upon future profitability and continuing support from its parent Company.

   g. Subject to above, the impact of which on the financial statements cannot be ascertained, in our opinion and to the best of our information and according to the explanations given to us, the accounts read together with the 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 the Balance Sheet, of the state of affairs of the Company as at 31 March 2008;

      ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and

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

For **Deloitte Haskins & Sells**
Chartered Accountants

P.B. Pardiwalla
Partner
(Membership No.40005)

Place : Mumbai
Date : 28 April 2008

Annexure to Auditors' Report

(Referred to in paragraph 3 of our report of even date)

1. The nature of the Company's business / activities during the period is such that clauses (i), (ii), (iii), (iv), (v), (vi), (viii), (xi), (xii), (xiii), (xiv), (xv), (xvi), (xvii), (xviii), (xix) and (xx) of the Order are not applicable to the Company.
2. The Company did not have internal audit system during the year under review.
3. In respect of its statutory dues according to the information and explanations given to us:
   a) The Company has been regular in depositing undisputed statutory dues, including Income-tax, cess and any other material statutory dues with the appropriate authorities during the year.
   b) According to the information and explanations given to us, there are no disputed income tax, cess which have not been deposited with the relevant authorities
4. The accumulated losses of the Company at the end of the current year exceed fifty percent of its net worth. The Company has not incurred cash losses during the current year as well as in the immediately preceding previous period.
5. To the best of our knowledge and belief and according to the information and explanations given to us, no material fraud on or by the Company was noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants

P.B. Pardiwalla
Partner
(Membership No.40005)

Place : Mumbai
Date : 28 April 2008

Balance Sheet

(Amount in Rupees)

As at	Schedule		31.03.2008	31.03.2007
SOURCES OF FUNDS				
1. **Shareholders' Funds**				
a) Capital	1	375,000,000		375,000,000
b) Reserves and surplus	2	5,670,000		5,670,000
			380,670,000	380,670,000
2. **Loan Funds**				
Unsecured loan	3		–	12,708,487
TOTAL			**380,670,000**	**393,378,487**
APPLICATION OF FUNDS				
1. **Investments**	4		3,316,623	3,316,623
2. **Current assets, loans and advances:**				
a) Cash and bank balances	5	642,095		645,505
b) Loans and advances	6	9,147,233		27,706,233
		9,789,328		28,351,738
Less: Current liabilities:				
Liabilities	7	33,790		58,936
		33,790		58,936
Net current assets			9,755,538	28,292,802
3. **Profit and Loss Account** (per contra-Schedule 2)			367,597,839	361,769,062
Total			**380,670,000**	**393,378,487**
Significant accounting policies and notes to financial statements	8			

As per attached report of even date

For **Deloitte Haskins & Sells**
Chartered Accountants

P.B. Pardiwalla
Partner
Place : Mumbai
Date : 28 April 2008

For on behalf of Board of Directors

C.R. Gupte — *Chairman*

R.M. Gadgil — *Managing Director*

S.L. Khare — *Company Secretary*

(Amount in Rupees)

	Schedule	2007-08	for the period 1 January, 2006 to 31 March 2007
INCOME			
Dividend from long term investments		41,850	68,100
Liability written back		12,708,487	–
		12,750,337	68,100
EXPENDITURE			
Payment to Auditors:			
Audit fees (including service tax)		16,854	16,836
Certification work, Taxation matters etc.		–	38,306
Rates and taxes		1,700	1,275
Filing fees		1,000	5,000
Bank Charges		560	1,111
Miscellaneous Expenses		–	4,333
Provision for Doubtful Advances		18,559,000	–
		18,579,114	66,861
(Loss)/Profit for the year/period		(5,828,777)	1,239
Balance brought forward from previous period		(361,772,562)	(361,773,801)
Balance carried to Balance Sheet		**(367,601,339)**	**(361,772,562)**
Earning per share (equity shares, par value Rs. 10/- each)			
Basic		(0.16)	–
Diluted (Refer note 5 of schedule 8)			
Significant accounting policies and notes to financial statements	8		

As per attached report of even date

For **Deloitte Haskins & Sells**
Chartered Accountants

For on behalf of Board of Directors

P.B. Pardiwalla
Partner
Place : Mumbai
Date : 28 April 2008

C.R. Gupte
Chairman

R.M. Gadgil
Managing Director

S.L. Khare
Company Secretary

Cash Flow Statement

(Amount in Rupees)

For the year ended	2007-08	for the period 1 January, 2006 to 31 March 2007
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/Profit for the year/period	(5,828,777)	1,239
Adjustments for:		
Provision for doubtful advances	18,559,000	–
Liability written back	(12,708,487)	–
Operating profit before working capital changes	21,736	1,239
Adjustments for :		
(Decrease)/Increase in Trade payables	(25,146)	36,181
Cash (used)/generated (for)/from operations	(3,410)	38,659
Net (decrease)/Increase in cash and cash equivalents	**(3,410)**	**38,659**
Opening balance	645,505	608,085
Closing balance	642,095	645,505

As per attached report of even date

For **Deloitte Haskins & Sells**
Chartered Accountants

P.B. Pardiwalla
Partner
Place : Mumbai
Date : 28 April 2008

For on behalf of Board of Directors

C.R. Gupte
Chairman

R.M. Gadgil
Managing Director

S.L. Khare
Company Secretary

(Amount in Rupees)

As at		31.03.2008	31.03.2007
Schedule – 1 SHARE CAPITAL			
Authorised			
40,000,000 equity shares of Rs.10 each		400,000,000	400,000,000
Issued and Subscribed			
37,500,000 equity shares of Rs.10 each, fully paid-up (All the above equity shares are held by NOCIL Limited- the Holding Company)		375,000,000	375,000,000
Total		**375,000,000**	**375,000,000**
Schedule – 2 RESERVES AND SURPLUS			
1. General Reserve			
As per last Balance Sheet		3,500	3,500
Debit balance in profit and loss account	367,601,339		361,772,562
Less: Debit balance in excess of General Reserve (per contra)	367,597,839		361,769,062
		3,500	3,500
		–	–
2. Reserve under Section 45IC of Reserve Bank of India			
(Amendment) Act, 1997			
As per last Balance Sheet		5,670,000	5,670,000
Total		**5,670,000**	**5,670,000**
Schedule – 3 UNSECURED LOANS			
From Holding Company		–	12,708,487
Total		–	12,708,487
Schedule – 4 INVESTMENTS (at cost or valuation)			
Long term investments:			
6,850,000 equity shares of Mafatlal Finance			
Company Limited of Rs.10 each fully paid.	1		1
19,900 equity shares of Bank of India of Rs.10 each fully paid.	895,500		895,500
2,400 equity shares of Corporation Bank of Rs.10 each fully paid.	189,120		189,120
		1,084,621	1,084,621
12,000,000 equity shares of Vibhadeep Investments & Trading Ltd. of Rs.10 each fully paid.	1		1
16,000 ordinary shares of UK Stg Pd.10 each. fully paid in Mafatlal Ltd, U.K.	1		1
22,320 equity shares of Mafatlal Services Limited. of Rs.100 each fully paid.	2,232,000		2,232,000
		2,232,002	2,232,002
Total		**3,316,623**	**3,316,623**
Notes:			
a) Aggregate value of quoted investments			
Cost / carrying amount		1,084,621	1,084,621
Market value		5,712,030	4,032,580
b) Aggregate value of unquoted investments			
Cost / carrying amount		2,232,002	2,232,002

(Amount in Rupees)

As at		31.03.2008	31.03.2007
Schedule – 5 CASH AND BANK BALANCES			
Bank Balance			
With Scheduled Banks:			
In current accounts		642,095	645,505
Total		**642,095**	**645,505**

Schedule – 6 LOANS AND ADVANCES			
Secured Loan * (Refer Note 1 of Schedule 8B)		27,700,000	27,700,000
Advance payment of income-tax		6,233	6,233
		27,706,233	27,706,233
Less : Provision for Doubtful Advances		18,559,000	–
Total		**9,147,233**	**27,706,233**

* Loan is secured by mortgage of three flats/garages in housing societies

Schedule – 7 CURRENT LIABILITIES			
Sundry Creditors (Refer note 7 of Schedule 8B)		33,790	58,936
Total		**33,790**	**58,936**

Schedule – 8 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

A. SIGNIFICANT ACCOUNTING POLICIES:

1. **Basis of preparation of financial statements**

   The accompanying financial statements have been prepared under the historical cost convention, in accordance with the Generally Accepted Accounting Principles in India and the provisions of the Companies Act, 1956.

2. **Use of estimates**

   The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognized in the period in which the results are known/materialise.

3. **Revenue recognition**

   Revenue is recognized when it is earned and no significant uncertainty exists as to its realization or collection.
   Dividend is recognized on receipt basis.

4. **Investments**

   Investments are classified as current or long-term in accordance with Accounting Standard 13 on Accounting for Investments.

   Current investments are stated at lower of cost and fair value. Any reduction in the carrying amount and any reversals of such reductions are charged or credited to the profit and loss account.

   Long term investments are stated at cost. Provision is made to recognize a decline, other than temporary, in the value of such investments.

5. **Earnings Per Share:**

   The company reports Basic and Diluted Earnings Per Share (EPS) in accordance with Accounting Standard 20 on Earnings Per Share. Basic EPS is computed by dividing the net profit or loss for the period by the weighted average number of equity shares outstanding during the period.

Schedule – 8 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS *(CONTD.)*

6. **Cash Flow Statement**

   The Cash Flow Statement is prepared by the indirect method set out in Accounting Standard 3 on Cash Flow Statements and presents the cash flows by operating, investing and financing activities of the Company.

   Cash and Cash equivalents presented in the Cash Flow Statement consist of balance with banks.

7. **Contingent liabilities**

   Contingent liabilities as defined in Accounting Standard 29 on Provisions, Contingent Liabilities and Contingent Assets are disclosed by way of notes to accounts. Provision is made if it is probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability

B. NOTES TO FINANCIAL STATEMENTS

1. The Company has given an inter-corporate deposit aggregating to Rs. 27,700,000/- in the earlier years, which is secured by mortgage of three flats / garages in housing societies. The said Company is a Sick Industrial company and is in the process of implementation of rehabilitation scheme, which has been sanctioned by the Board of Industrial and Financial Reconstruction. As per the sanctioned scheme, no interest is payable on such loan and the repayment thereof would commence as per the Scheme. During the year, Rs. 18,559,000 is provided and the balance is considered good and recoverable by the management.

2. As at 31 March, 2008 the company has reported accumulated losses of Rs. 367,597,839 (As at 31 March, 2007 Rs. 361,769,062). The company has been making continuing losses and the parent company has from time to time made arrangements for finance to enable the company to continue operations. The parent company has committed to provide the necessary level of financial support to the company to enable it to operate in the foreseeable future. Accordingly, therefore, these financial statements have been prepared on a going concern basis.

3. **Segment**

   The company operates in a single business and geographical segment.

4. **Related Party Disclosures**

   A) Name of related parties

   i) Holding Company: NOCIL Limited

   ii) Others: Mafatlal Industries Limited

   B) Transaction with related parties

Nature of Transactions	Holding Company	Other	Balance outstanding
Reimbursement of cost	43,000	–	–
	(24,608)	–	–
Advance taken and repaid	–	–	–
	(89,930)	–	–
Loan Taken (Holding Company)	–	–	–
	–	–	(12,708,487)
Loan Given (Other)	–	–	27,700,000
	–	–	(27,700,000)

The figure in the bracket pertains to previous period.

Schedule – 12 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS *(CONTD.)*

5. **Earning per Share (EPS) is calculated as follows:**

Sr No.	Particulars	Year ended 31 March 2008	Period from 1 January 2006 to 31 March 2007
1	(Loss) /Profit attributable to equity shareholders (Rs.)	(5,828,777)	1,239
2	Weighted Average Number of equity shares outstanding during the period	37,500,000	37,500,000
3	Nominal value per equity share (in Rs.)	10	10
4	Earning per share	(0.16)	0.00
	- Basic and Diluted		

Notes:

There is no dilution to the basic EPS as there are no outstanding dilutive potential equity shares.

6. The Company has not recognized deferred tax assets in respect of carried forward losses on consideration of prudence in line with the Accounting Standard 22 on “Accounting for Taxes on Income”.
7. The Company has not received any intimation from the “suppliers” regarding their status under the Micro Small and Medium Enterprises Development Act, 2006 and therefore no such disclosure under the said considered necessary.
8. Comparative financial information (i.e the amounts and other disclosures for the preceding period presented above), is included as an integral part of the current period’s financial statements, and is to be read in relation to the amounts and other disclosures relating to the current year. Figures of the previous period are not strictly comparable with current year, since the previous period was for 15 months as compared to 12 months of current year. Figures of the previous period have been regrouped / reclassified wherever necessary to correspond to figures of the current year.

As per attached report of even date

For **Deloitte Haskins & Sells**
Chartered Accountants

P.B. Pardiwalla
Partner
Place : Mumbai
Date : 28 April 2008

For on behalf of Board of Directors

C.R. Gupte
Chairman

R.M. Gadgil
Managing Director

S.L. Khare
Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. 26451

State Code 11

Balance Sheet Date 31 03 2008 (Date Month Year)

II. Capital raised during the year

Public Issue	Rights Issue
NIL	NIL

Bonus Issue	Private Placement
NIL	NIL

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

Total Liabilities	Total Assets
380670	380670

Sources of Funds

Paid-Up Capital	Reserves and Surplus
375000	5670

Secured Loans	Unsecured Loans
NIL	NIL

Application of Funds

Net Fixed Assets	Investments
NIL	3317

+	–	Net Current Assets	Misc. Expenditure
√		9755	NIL

Accumulated Losses: 367598

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

Turnover	Total Expenditure
12750	18579

+	–	Profit/Loss before Tax	+	–	Profit/Loss after Tax
	√	5829		√	5829

(Please tick Appropriate box + for Profit - for Loss)

Earning Per Share in Rs.	Dividend rate %
NIL	– –

V. Generic Names of Three Principal Products/Services of Company (as per monetory terms)

Items Code No.(ITC Code)	Product Description
NIL	NIL

For on behalf of Board of Directors

Place : Mumbai
Date : 28 April 2008

C.R. Gupte	R.M. Gadgil	S.L. Khare
Chairman	*Managing Director*	*Company Secretary*

To the Members

URVIJA Investments Limited

The Directors present their report together with the Audited Accounts of the Company for the year ended 31st March, 2008.

Financial Results

During the year under review, the Company has earned income of Rs.79,487/- and made a net profit of Rs.59,260/-.

Dividend

In view of carry forward losses, the Directors do not recommend any dividend.

Deposits

The Company has not accepted any deposits and hence there were no outstanding deposits as on 31st March, 2008. The Company has given an undertaking to Reserve Bank of India (Amendment) Act, 1997, not to accept any deposits without its prior approval.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Being an investment company, there are no particulars to be furnished in this report as required by section 217(1) (e) of the Companies Act, 1956 relating to conservation of energy and technology absorption. There was no foreign exchange earning or outgo during the year.

Particulars of Employees

As there were no employees drawing any salary, the provisions of Section 217(2A) of the Companies Act, 1956, are not applicable to the Company.

Directors

Mr. U.M. Karnik resigned from the Directorship of the Company w.e.f. 11th April, 2008. The Board has placed on record appreciation for the valuable services rendered by Mr. U.M. Karnik during his tenure as a Director of the Company.

Mr. S.R. Deo was appointed as Additional Director of the Company with effect from 11th April, 2008 and will hold office upto the forthcoming Annual General Meeting. The Company has received a notice from a member signifying his intention to propose Mr. S.R.Deo as candidate for the office of Director.

Mr. S.R. Deo has a M.Tech Degree in Chemical Engineering from Kanpur and has all-round experience in the field of Manufacturing, Projects, Business Strategy, Technology and Marketing for last 29 years.

The Directors feel that the appointment of Mr. S.R. Deo will be in the interest of the Company.

At the forthcoming Annual General Meeting, Mr. P. Srinivasan, will retire by rotation in accordance with the provisions of the Companies Act, 1956. Being eligible, he offers himself for re-appointment.

Directors Responsibility Statement

The Directors confirm:

a. that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same.

b. that they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period;

c. that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

d. That they have prepared the Accounts for the period on a going concern basis.

Auditors

The term of M/s. Deloitte Haskins & Sells, as auditors, expires at the conclusion of this Annual General Meeting and they are eligible for re-appointment. The auditors have given a certificate to the effect that the reappointment, if made, will be within the prescribed limits specified under Section 224 (1B) of the Companies Act, 1956.

Acknowledgements

Your directors acknowledge the continued support and co-operation from Banks and Government Bodies.

For and on behalf of the Board

Place : Mumbai
Date : 28 April 2008

C.R. Gupte
Chairman

To the Members of
URVIJA Investments Limited

1. We have audited the attached Balance Sheet of Urvija Investments Limited as at 31 March 2008 and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure, a Statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

   a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.

   b) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books.

   c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the above books of account.

   d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards referred to in sub - section (3C) of Section 211 of the Companies Act, 1956.

   e) On the basis of written representations received from the Directors as at 31 March 2008 and taken on record by the Board of Directors, we report that none of the directors are disqualified as at 31 March 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 on the said date.

f) Attention is invited to note no.1 of schedule 8 regarding the financial statements being prepared on a going concern basis. The ability of the Company to continue in operations in the foreseeable future is dependant upon future profitability and continuing support from its parent Company.

g) Subject to(f) above, the effect of which could not be determined, in our opinion and to the best of our information and according to the explanations given to us, the accounts read together with the 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 the Balance Sheet, of the state of affairs of the Company as at 31 March 2008;

   ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

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

For **Deloitte Haskins & Sells**
Chartered Accountants

P.B. Pardiwalla
Partner
(Membership No.40005)

Place : Mumbai
Date : 28 April 2008

Annexure to Auditors' Report

(Referred to in paragraph 3 of our report of even date)

1. The nature of the Company's business / activities during the period is such that clauses (i), (ii), (iii), (iv), (v), (vi), (viii), (xi), (xii), (xiii), (xiv), (xv), (xvi), (xvii), (xviii), (xix) and (xx) of the Order are not applicable to the Company.
2. The Company did not have internal audit system during the year under review.
3. In respect of its statutory dues according to the information and explanations given to us:
   a) The Company has been regular in depositing undisputed statutory dues, including Income-tax, cess and any other material statutory dues with the appropriate authorities during the year.
   b) According to the information and explanations given to us, there are no disputed income tax, cess which have not been deposited with the relevant authorities
4. The accumulated losses of the Company at the end of the current period exceed fifty percent of its net worth. The Company has not incurred cash losses during the financial year and in the immediately preceding previous period.
5. To the best of our knowledge and belief and according to the information and explanations given to us, no material fraud on or by the Company was noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants

P.B. Pardiwalla
Partner
(Membership No.40005)

Place : Mumbai
Date : 28 April 2008

(Amount in Rupees)

As at	Schedule	31.03.2008	31.03.2007
SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Capital	1	122,500,000	122,500,000
b) Reserves and surplus	2	202,000	202,000
Total		**122,702,000**	**122,702,000**
APPLICATION OF FUNDS			
1. **Investments**	3	934,538	934,538
2. **Current assets, loans and advances:**			
a) Cash and bank balances	4	6,622,529	6,567,182
b) Other current assets	5	11,651	11,300
c) Loans and advances	6	447,972	440,556
		7,082,152	7,019,038
Less : Current liabilities and provisions:			
Liabilities	7	33,690	29,836
Net current assets		7,048,462	6,989,202
3. Profit and Loss Account (per contra - Schedule 2)		114,719,000	114,778,260
Total		**122,702,000**	**122,702,000**
Significant accounting policies and notes to financial statements	8		

As per attached report of even date

For **Deloitte Haskins & Sells**
Chartered Accountants

P.B. Pardiwalla
Partner
Place : Mumbai
Date : 28 April 2008

For on behalf of Board of Directors

C.R. Gupte
Chairman

P. Srinivasan
Managing Director

Uma R. Srivastava
Company Secretary

Profit and Loss Account

(Amount in Rupees)

	Schedule	2007-08	for the period 1 January, 2006 to 31 March 2007
INCOME			
Interest on Investments (TDS Rs. 7,416 /- (previous period Rs 11,829/-))		42,527	252,715
Dividend		36,960	–
Interest on Inter-corporate deposit		–	1,442,109
		79,487	1,694,824
EXPENDITURE			
Payment to Auditors (including service tax):			
Audit Fees		16,854	16,836
Taxation matters		–	8,306
Rates and taxes		1,700	1,275
Filing Fees		1,000	5,500
Bank Charges		673	750
Miscellaneous expenses		–	7,340
		20,227	40,007
Profit before tax		59,260	1,654,817
Provision for tax		–	164,000
Profit after tax		59,260	1,490,817
Balance brought forward from previous period		(114,898,260)	(116,389,077)
Balance carried to balance Sheet		**(114,839,000)**	**(114,898,260)**
Earning per share (equity shares, par value Rs. 100/- each)			
Basic		0.05	1.22
Diluted (Refer note 4 of schedule 8)			
Significant accounting policies and notes to financial statements	8		

As per attached report of even date

For **Deloitte Haskins & Sells**
Chartered Accountants

P.B. Pardiwalla
Partner
Place : Mumbai
Date : 28 April 2008

For on behalf of Board of Directors

C.R. Gupte — *Chairman*

P. Srinivasan — *Managing Director*

Uma R. Srivastava — *Company Secretary*

(Amount in Rupees)

For the year ended	2007-08	for the period 1 January, 2006 to 31 March 2007
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	59,260	1,654,817
Adjustments for :		
(Increase)/Decrease in Trade and other receivables	(351)	388,249
Increase in Trade and other payables	3,854	6,181
(Increase)/Decrease in Loans & Advances	(7,416)	4,775,000
Cash generated from operations	55,347	6,824,247
Direct taxes paid	–	(590,617)
Net cash from operating activities	**55,347**	**6,233,630**
Net increase in cash and cash equivalents	55,347	6,233,630
Opening balance	6,567,182	333,552
Closing balance	6,622,529	6,567,182

As per attached report of even date

For **Deloitte Haskins & Sells**
Chartered Accountants

For on behalf of Board of Directors

P.B. Pardiwalla
Partner
Place : Mumbai
Date : 28 April 2008

C.R. Gupte
Chairman

P. Srinivasan
Managing Director

Uma R. Srivastava
Company Secretary

(Amount in Rupees)

As at	31.03.2008	31.03.2007
Schedule – 1 SHARE CAPITAL		
Authorised		
1,500,000 equity shares of Rs.100 each	150,000,000	150,000,000
Issued and Subscribed:		
1,225,000 equity shares of Rs.100 each fully paid - up	122,500,000	122,500,000
(All the above shares are held by NOCIL Limited- the Holding Company)		
Total	**122,500,000**	**122,500,000**

Schedule – 2 RESERVES AND SURPLUS		
1. General Reserve:		
As per last Balance Sheet	120,000	120,000
Debit balance in profit and loss account	114,839,000	114,898,260
Less: Debit balance in excess of General Reserve (per contra)	114,719,000	114,778,260
	120,000	**120,000**
2. Reserve under Section 45 IC of Reserve Bank of India		
(Amendment) Act, 1997 As per last Balance Sheet)	202,000	202,000
Total	**202,000**	**202,000**

Schedule – 3 INVESTMENTS (at cost or valuation)		
Long term investments:		
Quoted		
915, 6.75% tax free US 64 Bonds of Rs. 100 each fully paid	48,280	48,280
Unquoted		
10,560 Mastershares of Unit Trust of India of Rs.10 each fully paid	86,000	86,000
50,000 units of J.M.Mutual Fund (Equity Dividend plan) of Rs. 10 each fully paid	500,000	500,000
11,000,000 equity shares of Vibhadeep Investments & Trading Ltd. of Rs.10 each fully paid.	1	1
30, 12% Bonds of I.C.I.C.I. (Series VII) of Rs.10,000 each fully paid	300,256	300,256
16,000 ordinary shares of UK Stg Pd.10 each. in Mafatlal Ltd., U.K., fully paid	1	1
	886,258	886,258
Total	**934,538**	**934,538**
Notes:		
a) Aggregate value of quoted investments Cost / carrying amount	48,280	48,280
Market value	92,827	91,005
b) Aggregate value of unquoted investments Cost / carrying amount	886,258	886,258

Schedule – 4 CASH AND BANK BALANCES		
Bank Balance		
With Scheduled Banks:		
In current accounts	6,622,529	6,567,182
Total	**6,622,529**	**6,567,182**

(Amount in Rupees)

As at	31.03.2008	31.03.2007
Schedule – 5 OTHER CURRENT ASSETS		
Interest accrued on investments	11,651	11,300
Total	11,651	11,300

Schedule – 6 LOANS AND ADVANCES (Unsecured, considered good)		
Advance payment of Income - tax	447,972	440,556
Total	447,972	440,556

Schedule – 7 CURRENT LIABILITIES		
Sundry creditors (Refer note 6 of Schedule 8)	33,690	29,836
Total	33,690	29,836

Schedule – 8 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

A. SIGNIFICANT ACCOUNTING POLICIES:

1. **Basis of preparation of financial statements**

   The accompanying financial statements have been prepared under the historical cost convention, in accordance with the Generally Accepted Accounting Principles in India and the provisions of the Companies Act, 1956.

2. **Use of estimates**

   The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognized in the period in which the results are known/materialise.

3. **Revenue recognition**

   Revenue is recognized when it is earned and no significant uncertainty exists as to its realization or collection.
   Interest income is recognized on a time proportion basis. Dividend is recognized on receipt basis.

4. **Investments**

   Investments are classified as current or long-term in accordance with Accounting Standard 13 on Accounting for Investments.

   Current investments are stated at lower of cost and fair value. Any reduction in the carrying amount and any reversals of such reductions are charged or credited to the profit and loss account.

   Long term investments are stated at cost. Provision is made to recognize a decline, other than temporary, in the value of such investments.

5. **Earnings Per Share:**

   The company reports Basic and Diluted Earnings Per Share (EPS) in accordance with Accounting Standard 20 on Earnings Per Share. Basic EPS is computed by dividing the net profit or loss for the period by the weighted average number of equity shares outstanding during the period.

6. **Cash Flow Statement**

   The Cash Flow Statement is prepared by the indirect method set out in Accounting Standard 3 on Cash Flow Statements and presents the cash flows by operating, investing and financing activities of the Company.
   Cash and Cash equivalents presented in the Cash Flow Statement consist of balance banks.

Schedule – 8 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS *(CONTD.)*

7. **Contingent liabilities**

   Contingent liabilities as defined in Accounting Standard 29 on Provisions, Contingent Liabilities and Contingent Assets are disclosed by way of notes to accounts. Provision is made if it is probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability.

B. NOTES TO FINANCIAL STATEMENTS

1. As at 31 March, 2008 the company has reported accumulated losses of Rs. 114,719,000/- (As at 31 March, 2007 Rs. 114,778,260/-). The company has been making continuing losses and the parent company has from time to time made arrangements for finance to enable the company to meet its debts and continue operations. The parent company has committed to provide the necessary level of financial support to the company to enable it to operate in the foreseeable future. Accordingly, therefore, these financial statements have been prepared on a going concern basis.

2. **Segment**

   The company operates in a single business and geographical segment.

3. **Related Party Disclosures**

   A) Name of related parties

   i) Holding Company: NOCIL Limited

   B) Transaction with related parties

Nature of Transactions	Holding Company	Balance outstanding
Reimbursement of cost	14,000	–
	(26,108)	–
Refund of Loan Given	–	–
	(4,775,000)	–

The figure in the bracket pertains to previous period.

Schedule – 8 **SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS** *(CONTD.)*

4. **Earning per Share (EPS) is calculated as follows:**

Sr No.	Particulars	Year ended 31 March 2008	Period from 1 January 2006 to 31 March 2007
1	Profit attributable to equity shareholders (Rs.)	59,260	1,490,817
2	Weighted Average Number of equity shares outstanding during the period	1,225,000	1,225,000
3	Nominal value per equity share (in Rs.)	10	10
4	Earning per share	0.05	1.22

Notes:

There is no dilution to the basic EPS as there are no outstanding dilutive potential equity shares.

5. The Company has not recognised deferred tax assets in respect of carried forward losses on consideration of prudence in line with the Accounting Standard 22 on "Accounting for Taxes on Income".
6. The Company has not received any intimation from the "suppliers" regarding their status under the Micro Small and Medium Enterprises Development Act, 2006 and therefore no such disclosure under the said considered necessary.
7. Comparative financial information (i.e the amounts and other disclosures for the preceding period presented above), is included as an integral part of the current year's financial statements, and is to be read in relation to the amounts and other disclosures relating to the current year. Figures of the previous period are not strictly comparable with current year, since the previous period was for 15 months as compared to 12 months of current years. Figures of the previous period have been regrouped / reclassified wherever necessary to correspond to figures of the current year.

As per attached report of even date

For **Deloitte Haskins & Sells**
Chartered Accountants

For on behalf of Board of Directors

P.B. Pardiwalla
Partner
Place : Mumbai
Date : 28 April 2008

C.R. Gupte
Chairman

P. Srinivasan
Managing Director

Uma R. Srivastava
Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. 3 2 6 0 1 — State Code 1 1

Balance Sheet Date 3 1 | 0 3 | 2 0 0 8
(Date / Month / Year)

II. Capital raised during the year

Public Issue: NIL	Rights Issue: NIL
Bonus Issue: NIL	Private Placement: NIL

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

Total Liabilities: 122702	Total Assets: 122702

Sources of Funds

Paid-Up Capital: 122500	Reserves and Surplus: 202
Secured Loans: NIL	Unsecured Loans: NIL

Application of Funds

Net Fixed Assets: NIL	Investments: 935
+ √ − ; Net Current Assets: 7048	Misc. Expenditure: NIL
Accumulated Losses: 14719	

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

Turnover: 79	Total Expenditure: 20
+ √ − ; Profit/Loss before Tax: 59	+ √ − ; Profit/Loss after Tax: 59

(Please tick Appropriate box + for Profit - for Loss)

Earning Per Share in Rs.: 0.05	Dividend rate %: – –

(Refer note no. 4)

V. Generic Names of Three Principal Products/Services of Company (as per monetory terms)

Items Code No. (ITC Code)	Product Description
NIL	NIL

For on behalf of Board of Directors

Place : Mumbai
Date : 28 April 2008

C.R. Gupte	**P. Srinivasan**	**Uma R. Srivastava**
Chairman	*Managing Director*	*Company Secretary*

NOCIL

ARVIND MAFATLAL GROUP
The ethics of excellence