



Annual Report 2010

**CHEMPLAST SANMAR LIMITED**



## Notice of Annual General Meeting

The Twenty Sixth Annual General Meeting of Chemplast Sanmar Limited will be held on Tuesday, the 27<sup>th</sup> July 2010 at 10.00 A.M. at Sathguru Gnanananda Hall, Narada Gana Sabha Trust Complex, 314, T T K Road, Chennai 600 018 to transact the following:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report, the audited Balance Sheet as at 31<sup>st</sup> March 2010, the Profit and Loss Account for the year ended 31<sup>st</sup> March 2010 and the Auditors' Report thereon.
2. To appoint a Director in the place of Mr V K Parthasarathy who retires at this meeting and is eligible for re-appointment.
3. To appoint a Director in the place of Mr M N Radhakrishnan who retires at this meeting and is eligible for re-appointment.
4. To appoint Auditors and fix their remuneration.

Price Waterhouse & Co., Chartered Accountants, Chennai are the retiring auditors and are eligible for re-appointment.

### Notes:

- a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. THE PROXY FORM DULY COMPLETED MUST BE RETURNED SO AS TO REACH THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME OF THE COMMENCEMENT OF THE MEETING.
- b) Mr V K Parthasarathy and Mr M N Radhakrishnan, Directors are not related to any other director of the company. Mr V K Parthasarathy holds 30,900 equity shares and Mr M N Radhakrishnan holds 600 equity shares in the company.
- c) The Register of Members of the company will remain closed from Monday, the 19<sup>th</sup> July 2010 to Tuesday, the 27<sup>th</sup> July 2010, both days inclusive.
- d) Integrated Enterprises (India) Limited is the company's Registrar and Share Transfer Agent. Shareholders are requested to send all requests for transfer of shares, dematerialisation of shares, change in address, etc., to:

Integrated Enterprises (India) Limited  
Second Floor, Kences Towers,  
No.1, Ramakrishna Street, North Usman Road,  
T Nagar, Chennai 600 017.  
Phone No. 28140801 – 03; Fax No. 28142479  
E-mail: [corpserv@iepindia.com](mailto:corpserv@iepindia.com)

- e) Pursuant to Section 205A of the Companies Act, 1956, dividends which remain unpaid or unclaimed for a period of seven years from the date of transfer to the Unpaid Dividend Account are required to be transferred to the Investor Education and Protection Fund of the Central Government.

## **Chemplast Sanmar Limited**

Section 205C of the Act declares that no claims shall lie against the Fund or the company in respect of individual amounts which were unclaimed and unpaid for seven years as aforesaid and transferred to the Fund.

Shareholders who have not encashed dividend warrant(s) pertaining to the company for the year 2003 and/ or Sanmar Properties and Investments Limited (which merged with this company), for the year 2003, may contact the company at its Registered Office or Integrated Enterprises (India) Limited for issue of demand drafts in lieu thereof, before these amounts become due for transfer to the Fund.

Registered Office:  
9, Cathedral Road  
Chennai 600 086  
April 30, 2010

(By order of the Board)  
M RAMAN  
Secretary

## BOARD OF DIRECTORS

P.S. Jayaraman, Chairman  
S. Gopal, Managing Director  
M.K. Kumar  
S.V. Mony  
V.K. Parthasarathy  
M.N. Radhakrishnan  
V. Ramesh  
M.S. Sekhar

## REGISTERED OFFICE

9, Cathedral Road  
Chennai 600 086

## MANUFACTURING LOCATIONS

Mettur Dam, Tamil Nadu

Krishnagiri & Panruti, Tamil Nadu  
Vedaranyam, Tamil Nadu  
Cuddalore, Tamil Nadu  
Ponneri, Tamil Nadu  
Shinoli, Maharashtra  
Karaikal, Puducherry

PVC

Chlorochemicals:

Caustic Soda, Chlorine,  
Chlorinated Solvents,  
Refrigerant Gases and  
Silicon Wafers

Industrial Alcohol

Industrial Salt

PVC

Trubore Piping Systems

Trubore Piping Systems

Caustic Soda, Chlorine &

Ethylene Dichloride

## BANKERS

Andhra Bank  
Axis Bank Limited  
Bank of Baroda  
Bank of India  
Central Bank of India  
IDBI Bank Limited  
Indian Overseas Bank  
Standard Chartered Bank  
State Bank of Hyderabad  
State Bank of India  
State Bank of Mysore

## AUDITORS

Price Waterhouse & Co.  
Chartered Accountants  
Chennai

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### Information Regarding Listed Securities as required under Clause 32 of the Listing Agreement

| NAME AND ADDRESS OF THE STOCK EXCHANGES  | DETAILS OF SECURITIES LISTED |
|--|------------------------------|
| 1) Madras Stock Exchange Limited<br>Exchange Buildings,<br>New No.30 (Old No.11), Second Line Beach,<br>Chennai 600 001.                         | Equity Shares                |
| 2) Bombay Stock Exchange Limited<br>Phiroze Jeejeebhoy Towers, Dalal Street,<br>Fort, Mumbai 400 001.  | Equity Shares                |
| 3) National Stock Exchange of India Limited<br>Exchange Plaza,<br>Plot No. C/1, G Block,<br>Bandra-Kurla Complex,<br>Bandra (E), Mumbai 400 051. | Equity Shares                |

The listing fees to these Stock Exchanges have been paid.

## Directors' Report

The Directors have pleasure in presenting their report along with the accounts for the year ended 31<sup>st</sup> March 2010.

### Corporate Results

|   | <b>2009-10</b>   | 2008-09   |
|---|------------------|-----------|
|   | <b>Rs.Crores</b> | Rs.Crores |
| Sales and other income  | <b>1062.88</b>   | 820.48    |
| Profit before interest, depreciation, tax and exceptional items | <b>66.73</b>     | 30.38     |
| Interest  | <b>124.69</b>    | 75.49     |
| Depreciation  | <b>76.38</b>     | 53.96     |
| Profit/ (Loss) before tax                                       | <b>(134.34)</b>  | (99.07)   |
| Provision for tax   |                  |           |
| – current tax   | <b>(0.03)</b>    | (0.01)    |
| – deferred tax  | <b>41.91</b>     | 32.94     |
| – fringe benefit tax  | <b>0.02</b>      | (0.47)    |
| Profit/ (Loss) after tax before exceptional items               | <b>(92.44)</b>   | (66.61)   |
| Exceptional item (net of tax)                                   | <b>(35.72)</b>   | –         |
| Profit/ (Loss) after tax for the year                           | <b>(128.16)</b>  | (66.61)   |
| Profit brought forward  | <b>78.36</b>     | 144.97    |
| Profit/ (Loss) carried to Balance Sheet                         | <b>(49.81)</b>   | 78.36     |

The year under report is a landmark year in the history of the company – both in a positive and negative sense. Positive, because, the company could complete two major projects involving an investment of around Rs.900 crores. This has strengthened the fundamentals of the company and has placed the company in league with 'high volume' PVC (Poly Vinyl Chloride) players in the country. Negative in the sense that, in more than four decades of history of the company, the year under reference recorded, unfortunately, the maximum losses, for reasons mostly beyond the control of the management. It may be noted that the company had incurred losses in the current year as well as in the previous year and these are the only two years when losses were registered in the last 39 years of performance of the company. With the completion of the project activities, the management believes that there are good times ahead for the company.

In September 2009, the company commissioned the state-of-the-art greenfield PVC plant at Cuddalore, Tamil Nadu along with the Marine Terminal Facility at an investment of around Rs.650 crores. The plant has been designed with environment friendly features, which include a facility for Zero Liquid Discharge (ZLD) of process effluents and a sea water desalination plant resulting in zero ground water drawl. Due care and attention has been given in configuring and implementing the project to ensure utmost safety in operation. The plant has reached almost 100% capacity utilisation in quick time and the PVC resin produced in the plant has been received well in the market.

The year also witnessed the commissioning of the 48.5 MW coal based power plant at Mettur Dam to replace the power generation of equivalent capacity hitherto carried out on the basis of fuel oil, thus bringing down the cost of energy significantly.

It may not be out of place to mention here that both these projects have had to face long drawn out legal battles caused by environmentalists with hidden agenda. In a far reaching judgement delivered in March 2010, after several legal proceedings at different judicial levels, the Supreme Court of India had upheld that the PVC plant at Cuddalore has been set up after obtaining all approvals that were required for the purpose. In the case of the coal based power plant at Mettur, the approval granted by the concerned authorities was called back and the construction work had to be stopped midway. It took several months for the legal process to get completed, when the company was restored of all the approvals. After restarting the construction activities, the coal based power plant was commissioned in the last quarter of the year.

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It is a matter of record that the PVC project which was complete in all respects in February '09 when a ship carrying raw material was also berthed at Cuddalore. However, the plant could be commissioned only in September '09. Similarly, the construction activities of the coal based power plant, which was almost complete, had to be stopped in July '08 due to legal hindrances. The activities at the plant could be restarted only after 15 months with the completion of legal process and the plant could be commissioned in the last quarter of the financial year. The impact of these extraordinary delays in completion of the projects involving an investment of about Rs.900 crores is the main cause for the financial loss in the current year.

The company would like to acknowledge the complete support and cooperation of the Government of Tamil Nadu, banks, vendors and other stakeholders in successful implementation and commissioning of both these projects.

Besides the delay in project completion as above, the pressure on margins due to increase in input costs and depressed market for Caustic Soda accounted for the loss (after tax) of Rs.128.16 crores recorded during the year. In view of the losses incurred, the Directors do not recommend payment of dividend on equity shares for the year 2009-10.

However, with the completion of all the major projects, the company is now well poised to exploit the market opportunities and is in a position to ride the commodity cycles better. The management believes that it has weathered the storm ably.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The company has an excellent track record of more than four decades of existence in the Chlor-alkali and PVC businesses. The Caustic Soda business at Mettur Dam has been made environment friendly with the conversion from mercury to membrane based technology, carried out a couple of years earlier, of course well ahead of the time mandated by the regulators. In the PVC business, the company has been a pioneer in many ways - achieving fully integrated operations - both backward and forward, presence in both the commodity and speciality PVC resins businesses with substantial capacity addition in the commodity resins, thanks to recent greenfield expansion and the continuous cost cutting initiatives, etc. The elaborate environment control measures initiated and implemented at the plants at Mettur Dam are unique, particularly in the context of the fact that they have been carried out in plants which are in operation for more than 40 years. The environment standards maintained in these plants are probably the best in the Indian chemical industry.

### **PVC Business**

#### *Review of Operations:*

The company has an integrated facility at Mettur Dam with a capacity to produce 64,000 tonnes per annum (TPA) of PVC resin. This facility has the flexibility to produce various grades of PVC resin viz., Suspension, Paste and BSR. Ethylene Dichloride (EDC), the intermediate required for manufacture of PVC, is produced at the company's EDC plant at Karaikal using imported Ethylene and captive Chlorine. The Chlor-alkali/ EDC plant at this location has a captive Marine Terminal which is used for import of Ethylene and export of Caustic Soda.

As stated earlier, during the year, the company also commissioned a new Greenfield project at Cuddalore with a capacity to produce Suspension PVC. The captive Marine Terminal Facility set up at this location is used to import Vinyl Chloride Monomer (VCM), the raw material for manufacture of PVC. The plant, commissioned in September 2009 is operating well at almost full capacity.

The PVC production at Mettur and Cuddalore plants during the year 2009-10 aggregated to 1,36,346 MT. Mirroring Asian PVC prices, Suspension PVC prices in India exhibited a lot of volatility right through the year, with strong prices towards year-end, reflecting growing raw material costs.



#### *Suspension Resin:*

Suspension resin demand in India for the year under review is estimated at 17.75 lac tonnes, a robust growth of 27% over the previous year. Of this, around 10.5 lac tonnes were met out of domestic production with the balance coming from imports. Consequently, imports actually surged from 3.70 lac tonnes in the previous year to 7.30 lac tonnes in the year under reference.

#### *Paste Resin:*

Consumption in India during the year 2009-10 is estimated at around 70,000 tonnes. Your company's paste resin continues to enjoy a preference with most buyers.

#### *Battery Separator Resin (BSR):*

Your company is reviewing the outlook for this product in view of the declining demand and uncertainty in availability of key raw material.

#### *Trubore Piping Systems:*

During the first half of the year, the demand for PVC Pipes remained suppressed. With the overall upturn witnessed in the economy, this trend got reversed and the demand for PVC Pipes remained healthy during second half of the year. Tamil Nadu Government's focus on micro irrigation and rural water supply schemes contributed to a stable demand for PVC Pipes.

The greenfield PVC Pipe plant in Shinoli, Maharashtra has been operating well and reached stability during the year. All varieties of pipes are being manufactured meeting the end user requirements. This plant has been approved for supplies to all water supply schemes of the State Government of Maharashtra. The plant has been certified by Bureau of Indian Standards (BIS) for ISI marking for Pressure, Casing, Sewer and SWR Pipes.

During the year, production in the PVC pipes plant at Ponneri in Tamilnadu got affected due to an illegal strike, mainly by the employees of contractors, which started in February 2009 due to which the operations remained suspended till middle of December 2009. The plant has been restarted and pipes are now being manufactured and supplied to the market.

During this year, your company had carried out many sales promotion activities in order to build the "TRUBORE" brand amongst the end users. With a total PVC pipes capacity of 56,000 TPA spread at two locations in Tamil Nadu and Maharashtra, the company is well placed to achieve the benefits of attractive value addition in the pipes business.

#### *Risks and concerns:*

- (a) The thin spread of just 3% between import duty on PVC (5%) and the intermediates VCM and EDC (2%) affects the contribution of the PVC business.
- (b) Ethylene prices are driven by international supply-demand balance which could impact the input cost of PVC for the Mettur operations.
- (c) The fall in sugar crop production and the consequential reduction in availability of molasses as also the sharp rise in prices of molasses and industrial alcohol has resulted in the inability of the company to source molasses/ industrial alcohol at viable prices for its operations.

### **Chlorochemicals Business**

The company operates a highly integrated Chlorochemicals business in Mettur Dam producing Caustic Soda, Chloromethane products, Silicon Wafers and Refrigerant Gas (HCFC). Power and salt required for caustic soda manufacture are available from captive source. Chlorine produced in the Chlor-alkali plant is completely consumed for captive production of Chloromethane products and also for manufacture of EDC at the Karaikal facility.

#### *Caustic Chlor:*

During the year under review, Indian Caustic Soda industry witnessed an addition of over 2.5 lac tonnes of capacity, with almost 2.0 lac tonnes getting added in the Western region. With most consuming sectors like Textile and Paper not doing well, and with excess availability in Asia as well as surplus capacity within the country, prices remained under pressure right through the year.

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While your company has adequate captive capacity for meeting its salt requirement, unseasonal rains during several months impacted salt production adversely and forced the company into buying salt from outside sources.

### *Solvents:*

The major demand for Chloromethane products is from the pharma sector, and this sector rebounded smartly towards the later half of the year. Also, with poor Caustic Soda prices pushing chlorine values up, and with declining production in USA & Europe, Chloromethane prices rose sharply in this period.

In line with the Montreal Protocol, the company regulated the production of CTC for non-feedstock applications and towards this the company received a compensation of Rs.3.29 crores during the year.

### *Mettron:*

HCFC-22 demand in Asian/ Middle Eastern markets picked up smartly in the second half of the year. Also, with mitigating factors in China limiting production there, international prices in these markets picked up.

Domestic demand for HCFC-22 also picked up as production in the air conditioning sector rose sharply.

HCFC production was at 1,792 MT. Your company also earns Certified Emission Reduction (Carbon Credits) from its Clean Development Mechanism project.

### *Metkem:*

Due to reduced demand in the global solar market and falling prices for Polysilicon, the new Polysilicon plant that was successfully commissioned in 2008-09, operated only for a short period of time in 2009-10. The manufacturing operation of Polysilicon had to be suspended in May 2009 due to cost of Polysilicon produced being higher than current market price of Polysilicon. Similarly, the Silicon Wafer prices also took a hit as prices dropped steeply from Rs.205 to Rs.91 per wafer. With the result, wafer operation was shutdown in March 2010.

### *Risks and concerns:*

- (a) The slowdown in the end-use segments of the caustic soda industry as also commissioning of additional Caustic Soda capacity in the country is a concern, as this will impact selling prices.
- (b) Unseasonal rainfall affects your company's salt production.

## Environment

As a responsible corporate citizen, the company has continuously improved upon its manufacturing processes, tapping new technologies to make production processes efficient and keeping well ahead of mandated norms in compliance with environmental standards. The company is fully committed to environment protection and has made dramatic improvements in its processes over the years by making considerable investments, within the limitations of the latest available technologies.

In the true spirit of protecting the environment, the company has taken several positive initiatives, some of which are discussed below:

- The company has converted its manufacturing process from Mercury cell to environment friendly Membrane cell process for producing Caustic Soda, well ahead of the mandated time period at an investment of approximately of Rs.80 crores at Mettur in the year 2007-08.
- The company has put in place a ZLD facility at Mettur at an investment of Rs.26 crores to completely recycle and reuse the liquid trade effluents generated, including solid waste, inside the plants. This breakthrough ZLD process also involves a high recurring revenue outgo of approximately Rs.100 lacs annually. The initial teething trouble posed by this facility has been addressed and not a drop of its effluent moves out from the factory premises now.

Similarly, a unique feature of the Cuddalore PVC facility is that no trade effluent from PVC plant operations will be discharged into land or sea, since a ZLD facility has been built for the purpose at an investment of Rs.24 crores and recurring cost of Rs.100 Lacs per year.

- A unique feature of the newly built PVC plant at Cuddalore is that it does not draw any water from the ground for the plant operations and the entire water requirements of about 3500 kilo litres (kl) per day is being met by a sea water desalination plant, set up at an investment of Rs.27 crores with a recurring cost of Rs.36 per kl of water used.
- The company has kept a mobile VCM monitoring station at the Cuddalore PVC plant which would, on a real time basis, monitor the presence of VCM in the atmosphere.
- In order to eliminate any possibility of even a minor Chlorine gas leak due to tripping of the primary and backup power, the company has invested a sum of Rs.50 lacs in setting up Uninterrupted Power Supply (UPS) system at Mettur. This ensures uninterrupted power supply preventing any occurrence of gas leak and this measure is the first of its kind in a chemical industry and also a rarity in the global scene.
- The plant at Mettur had four HCl absorbers with an absorption capacity of Anhydrous Hydrochloric Acid (HCl) which matched its need. In the rare event of Oxy Chlorination plant tripping, the quantity of Anhydrous HCl to be handled by absorbers surged with overloading of the absorbers, resulting in neutralisation of excess HCl vapours. This meant discharge of treated effluent, though such discharge has always been within pollution control norms. The company has now installed two new additional HCl absorbers with capacity to handle surge loads even when the Oxy Chlorination plant trips for any reason. This capacity enhancement handles the spike loads of HCl due to sudden failure/ tripping of refrigeration compressors also. With the new absorbers, the neutralisation of acid vapours during startup and stopping of the VCM plants is also totally avoided. This investment in new absorbers has been done at a cost of Rs.4 crores and has resulted in stabilisation and improvement of environmental conditions.

#### *CSR initiatives:*

The company attaches utmost importance to sustainable development.

At Mettur, the company maintains three schools where primary, matriculation and higher secondary education is imparted to about 2500 students from the local community. The company also offers free education at different centres in the villages around the plant area to provide supplementary after-school coaching. The company provides thirty lac litres of drinking water every day to the nearby villages. It has six rural health centres in and around Mettur, with diagnostic facilities where free medicines are also dispersed. The company also provides preventive healthcare services by conducting periodical health camps and has also been supporting Self Help Groups in and around Mettur.

At Cuddalore, the company has constructed 80 toilets in Chitrapet village in the households of fishermen and had engaged the services of a reputed hospital located at Pondicherry to carry out a comprehensive health care study in the villages within a radius of 5 Kms of the plant area in Semmankuppam. The company has also contributed liberally to the re-construction of places of worship in the region. The company is currently running health centres in three different villages with the services of a full-time doctor and para-medical staff.

#### *Responsible Corporate Citizen:*

The company believes that its environmental control measures are state-of-the-art and path breaking amongst any chemical company in the country and even on the world platform. In fact, the company has been a recipient of several coveted awards for its role as a responsible corporate citizen. It was awarded the Greentech Safety Award in 2007 and also rated as 'Three Star' by the British Safety Council Auditor under the 'Five Star Health and Safety Management System Audit' in the year 2007. The company was also awarded the CII-ITC Sustainability Award 2008, which placed it among the top bracket of the 16 companies that gained recognition through awards and among the top three in the large business segment. Besides this, during the year under reference, the company received the State Safety awards from Government of Tamil Nadu for the year 2006 for two categories for its PVC plant at Mettur – first prize in injury-free man hours and second prize in highest reduction in the frequency rate.

## **Personnel**

Industrial relations with employees remained cordial during the year, except for some manpower related issues in the Pipes plant at Ponneri, Tamil Nadu. A significant part of the labour issues in this plant has since been sorted out and production resumed from December 2009.

## **Chemplast Sanmar Limited**

Human Resource Development activities continued to receive considerable attention. The emphasis was on imparting training and developing the skills of employees to enable them face the challenges in an increasingly complex work environment.

### **Internal Control Systems**

Your company has adequate internal control procedures commensurate with the size and nature of its operations. The audit committee constituted by the Board of Directors is functioning effectively. Internal audit for the year 2009-10 was carried out by PKF Sridhar & Santhanam, Chartered Accountants covering all areas of operations. All significant observations were discussed in the audit committee, which met four times during the year under review.

## **FINANCE**

Your company has established a good track record with the bankers and financial institutions, thereby enjoying their confidence fully.

### *Rights Issue Allotment:*

During the previous year, to part finance the company's PVC project at Cuddalore, the company had issued equity shares of Re.1 each at a premium of Rs.4 per share on rights basis, in the ratio of 2 equity shares for every 3 existing shares, aggregating to Rs.159.94 crores. The issue, closed on 13<sup>th</sup> April 2009, was fully subscribed and allotment of 31,98,79,087 equity shares of Re.1 each was made on 27<sup>th</sup> April 2009. The paid up equity capital of the company post allotment is 79,96,98,527 equity shares of Re.1 each. The equity shares have been listed and traded on the Bombay Stock Exchange Limited, National Stock Exchange of India Limited and Madras Stock Exchange Limited.

### *Provision for Asset Impairment:*

In line with the conservative accounting policies being followed by the company, a significant Asset Impairment provision has been made in the accounts for the year under reference. A sum of Rs.31.25 crores has been provided towards the LSHS based power generation plant which has been decommissioned consequent to commissioning of the coal based power plant, and Rs.20.89 crores towards the Metkem Silicon division assets, since the plant has been mothballed pending revival of the price of the end product. This provision totalling to Rs.52.14 crores translates to an after tax amount of Rs.35.72 crores and the same has been provided in the accounts.

## **DIRECTORS**

During the year, Mr V Ramesh ceased to be the Deputy Managing Director of the company but he continues as a member of the Board.

Mr V K Parthasarathy and Mr M N Radhakrishnan, Directors retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

## **AUDITORS**

Price Waterhouse & Co, Chartered Accounts, Chennai, retire and are eligible for re-appointment.

## **STATUTORY INFORMATION**

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended regarding employees, is given in Annexure 'B' to the Directors' Report. However, as per the provisions of Section 219 of the Companies Act, 1956, the Report and Accounts are being sent to all shareholders of the company, excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Secretary at the Registered Office of the company.

Particulars under Section 217(1) (e) relating to energy conservation and technology absorption are furnished in a separate statement annexed to, and forming part of this report.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

- a) In the preparation of the annual accounts for the year ended 31st March 2010, the applicable accounting standards have been followed by the company.
- b) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March 2010 and of the loss of the company for the year ended that date.
- c) 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.
- d) The accounts of the company have been prepared on a going concern basis.

## **CAUTIONARY STATEMENT**

Statements made in the report, including those stated under the caption "Management Discussion and Analysis" describing the company's plans, projections and expectations may constitute, "forward looking statements" within the meaning of applicable laws and regulations. Actual results may differ materially from those either expressed or implied.

Chennai  
April 30, 2010

For and on behalf of the Board  
P S JAYARAMAN  
Chairman

# Chemplast Sanmar Limited

## Annexure to the Directors' Report

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

### 1. CONSERVATION OF ENERGY

a. Measures taken:

The company continues to accord high priority to conservation of energy. Details of some of the measures undertaken during the year to optimise energy conservation are:

1. In Chlorochemicals plant at Karaikal, by installing an ejector for vapour recovery at the caustic flakes section during the year, steam consumption for caustic concentration was reduced by 1.600 MT per tonne of caustic flakes produced. The steam saving thus effected for the year is 10,810 MT.
2. In Ethylene Di-Chloride (EDC) plant at Karaikal, by introducing changes in the process of vapourising liquid chlorine for manufacture of EDC, the steam consumption in the vapouriser was reduced from 0.19 MT to 0.06 MT per tonne of EDC. This has resulted in a reduction of 9,149 MT of steam per year.
3. In Poly Vinyl Chloride (PVC) plant at Mettur, by taking various measures to reuse/ recycle the treated effluent, the quantity of treated effluent fed to Zero Liquid Discharge (ZLD) plant was reduced by 1000 KL per day, thereby reducing power consumption in ZLD plant evaporator to the tune of 2.80 lacs units per month. This has resulted in a saving of 33.60 lacs units of power per year.
4. In Chlorochemicals plant at Mettur, by installing capacitor bank in the electrical power system, the average power factor was improved from 0.96 to 0.99. This has resulted in a saving of 11.55 lacs units of power per year.

b. Additional investment:

1. The company has commissioned the coal based power plant for generating power using coal instead of LSHS during the current year.

c. Impact of measures taken under (a) above:

|   | Substitution/<br>Reduction in energy<br>consumption<br>per annum | Savings in<br>cost of<br>production<br>(Annualised)<br>(Rs.Lacs) |
|---|--|--|
| 1. Reduction in steam consumption by installing ejector for vapour recovery at Karaikal plant                           | Steam 10,810 MT  | 134  |
| 2. Reduction in steam consumption by optimising the vapourisation of liquid chlorine at EDC plant, Karaikal             | Steam 9,149 MT   | 113  |
| 3. Reduction in power consumption by recycling treated effluent before being fed to ZLD evaporator at PVC plant, Mettur | Power 33.60 lac Kwh  | 150  |
| 4. Reduction in power consumption by installing capacitor in Chlorochemicals plant at Mettur                            | Power 11.50 lac Kwh  | 51   |

## 2. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts, in brief, made towards technology :      The technology transferred to the company has been absorption, adaptation and innovation      fully absorbed. Developments, where required, have been carried out by adapting to Indian conditions.
2. Benefits derived as a result of the above :      The technology absorption has contributed to efforts, e.g. product improvement, cost reduction, import substitution, etc.      substantial savings in foreign exchange by way of import substitution.
3. In case of imported technology, (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished.

|  |  |   |
|--|--|---|
| Technology imported  | Technology for manufacture of suspension grade PVC from Ineos Vinyls UK Ltd., UK | Membrane technology for manufacture of caustic soda from Asahi Kasei Chemicals Corporation, Japan |
| Year of import**   | 2006-07  | 2006-07   |
| Has technology been fully absorbed   | Yes  | Yes   |
| If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action | —  | —   |

(\*\* year of entering into technology agreements)

### RESEARCH AND DEVELOPMENT (R&D)

The company's R&D laboratory is engaged in carrying out process/ product improvement programmes. In particular, the areas of focus have been on import substitution, optimising the utilisation of available resources, evolving alternative and more economic processes for the existing range of products and environment conservation.

## 3. FOREIGN EXCHANGE EARNINGS AND OUTGO

|                              |           |
|------------------------------|-----------|
|                              | (Rs.Lacs) |
| a. Foreign exchange outgo    | 55008.78  |
| b. Foreign exchange earnings | 5958.74   |

Chennai  
April 30, 2010

For and on behalf of the Board  
P S JAYARAMAN  
Chairman

## Chemplast Sanmar Limited

### Annexure I

#### A. POWER AND FUEL CONSUMPTION

|   | 2009-10  | 2008-09  |
|---|----------|----------|
| 1) Electricity                                |          |          |
| (a) Purchased                                 |          |          |
| Units - lacs kwh                              | 1852.60  | 2061.12  |
| Amount - Rs. lacs                             | 6833.66  | 6188.40  |
| Rate per unit - Rs.                           | 3.69     | 3.00     |
| (b) Own Generation                            |          |          |
| I) Through generators                         |          |          |
| a) With LSHS as fuel                          |          |          |
| Units - lacs kwh                              | 876.88   | 1029.27  |
| Units per KG of LSHS or equivalent            | 4.11     | 4.13     |
| Cost per unit - Rs.                           | 6.06     | 6.26     |
| b) With Natural Gas as fuel                   |          |          |
| Units - lacs kwh                              | 624.87   | 637.97   |
| Units per M <sup>3</sup> of Gas or equivalent | 3.74     | 3.82     |
| Cost per unit - Rs.                           | 1.42     | 1.38     |
| II) Through turbines                          |          |          |
| a) Steam turbine                              |          |          |
| Units - lacs kwh                              | 489.61   | 12.56    |
| Unit per KG of Coal                           | 1.38     | -        |
| Cost per unit - Rs.                           | 3.24     | -        |
| b) Wind mill power                            |          |          |
| Units - lacs kwh                              | 115.15   | 94.55    |
| 2) Coal                                       |          |          |
| Quantity - MT                                 | 68643.84 | -        |
| Amount - Rs. lacs                             | 2939.83  | -        |
| Average - Rs./ MT                             | 4283     | -        |
| 3) Furnace oil                                |          |          |
| Quantity - KL                                 | 9419.42  | 11344.95 |
| Amount - Rs. lacs                             | 2008.43  | 2703.53  |
| Average - Rs./ KL                             | 21322    | 23830    |
| 4) Diesel                                     |          |          |
| Quantity - KL                                 | 464.71   | 429.51   |
| Amount - Rs. lacs                             | 164.40   | 158.41   |
| Average - Rs./ KL                             | 35377    | 36881    |
| 5) LSHS                                       |          |          |
| Quantity - MT                                 | 30577.00 | 42193.18 |
| Amount - Rs. lacs                             | 7414.12  | 10731.21 |
| Average - Rs./ MT                             | 24247    | 25434    |
| 6) Natural gas                                |          |          |
| Quantity - lacs Scm                           | 166.90   | 166.80   |
| Amount - Rs. lacs                             | 913.40   | 913.84   |
| Average - Rs./ Scm                            | 5.47     | 5.48     |
| 7) Superior kerosene                          |          |          |
| Quantity - KL                                 | 7449.68  | 8678.09  |
| Amount - Rs. lacs                             | 2017.08  | 3209.31  |
| Average - Rs./ KL                             | 27076    | 36982    |
| 8) Others - Internal generation               |          |          |
| Methane gas - lac M <sup>3</sup>              | 5.18     | 19.74    |
| Hydrogen - MT                                 | 1463     | 1,400    |

#### B. CONSUMPTION PER UNIT OF PRODUCTION

|   |      |       |
|---|------|-------|
| 1. PVC RESIN                              |      |       |
| Electricity - (kwh)                       | 591  | 1,051 |
| Superior kerosene - (ltr)                 | 143  | 141   |
| Furnace oil - (Kg)                        | 440  | 451   |
| 2. Caustic soda                           |      |       |
| Electricity - (Kwh) - Membrane cell plant | 2598 | 2573  |
| 3. Chloromethanes                         |      |       |
| Electricity - (Kwh)                       | 460  | 444   |
| LSHS - (kg)                               | 215  | 208   |

#### NOTE:

Electricity for caustic soda is for electrolysis. LSHS denotes the LSHS equivalent of steam consumption.



Persons constituting group as defined in the Monopolies and Restrictive Trade Practices Act, 1969 include the following:

- |  |   |
|--|---|
| 1 Mr N Sankar and relatives                              | 48 Greenvalley Investments (Alpha) Private Limited                |
| 2 Mr N Kumar and relatives                               | 49 Vijay Sankar Investment Holdings Private Limited               |
| 3 Mr Vijay Sankar and relatives                          | 50 Poes Garden Properties Private Limited                         |
| 4 Sanmar Shipping Limited                                | 51 N Kumar Investment Holdings Private Limited                    |
| 5 Sanmar Speciality Chemicals Limited                    | 52 Madhura Kumar Properties Private Limited                       |
| 6 Cabot Sanmar Limited                                   | 53 Cubbon Road Properties Private Limited                         |
| 7 Fisher Sanmar Limited                                  | 54 Jumbo Properties (Alpha) Private Limited                       |
| 8 BS&B Safety Systems (India) Limited                    | 55 Jumbo Properties Private Limited                               |
| 9 Flowserve Sanmar Limited                               | 56 Fortis Properties Private Limited                              |
| 10 Sanmar Engineering Services Limited                   | 57 Indchem Software Technologies (India) Limited                  |
| 11 Sanmar Foundries Limited                              | 58 Apex NK Software Solutions Limited                             |
| 12 Tyco Sanmar Limited                                   | 59 Indchem Software Technologies Limited                          |
| 13 Xomox Sanmar Limited                                  | 60 Silkroute Indchem Limited                                      |
| 14 Sanmar Industrial Filters Limited                     | 61 Fingertip Technologies Private Limited                         |
| 15 Sanmar Ferrotech Limited                              | 62 iSkills (India) Private Limited                                |
| 16 NS Family Investments Private Limited                 | 63 eG Innovations Pte. Ltd, Singapore                             |
| 17 NS Family Consolidations Private Limited              | 64 eG Innovations Private Limited                                 |
| 18 SHL Securities (Alpha) Limited                        | 65 eG Innovations Inc., USA                                       |
| 19 SHL Research Foundation                               | 66 eG Innovations UK Limited, UK                                  |
| 20 Sanmar Holdings Limited                               | 67 WYSINE Technologies Private Limited                            |
| 21 Sanmar Engineering Corporation Limited                | 68 Chemplast Sanmar Limited                                       |
| 22 B SEC Services Limited                                | 69 Metalcast Overseas Steel AG, Switzerland                       |
| 23 SHL Trading Limited                                   | 70 Multicontinental Ferro AG, Switzerland                         |
| 24 Kalamkriya Limited                                    | 71 Matrix Metals AG, Switzerland                                  |
| 25 Indchem Communications Limited                        | 72 Sanmar IP Repository Limited, Cayman Islands                   |
| 26 SHL Property Holdings Limited                         | 73 Matrix Metals LLC, USA   |
| 27 Stargate Properties Private Limited                   | 74 Acerlan-Matrix LLC, USA  |
| 28 Stargate Adyar Properties Private Limited             | 75 Acerlan-S.A. de C.V., Mexico                                   |
| 29 Twinpeaks Technologies Private Limited                | 76 Inmobiliaria Acerlan S.A. de C.V., Mexico                      |
| 30 Sanmar Group International Limited                    | 77 BlueChips Limited, Isle of Man                                 |
| 31 Sanmar Overseas Investments AG, Switzerland           | 78 SFL Holdings Public Company Limited, Cyprus                    |
| 32 Cav-Nile AG, Switzerland                              | 79 Cav-Nile Holdings Public Company Limited, Cyprus               |
| 33 Pharaoh Egyptian Investments Limited, Cayman Islands  | 80 Multicontinental Ferro Holdings Public Company Limited, Cyprus |
| 34 Pharaoh International Limited, Cayman Islands         |   |
| 35 Pharaoh Consolidations Limited, Cayman Islands        | 81 Sanmar Estates and Investments                                 |
| 36 Pharaoh Egyptian Holdings Limited, Cayman Islands     | 82 Sanmar Group Corporate Finance                                 |
| 37 TCI Sanmar Chemicals LLC, Egypt                       | 83 Cathedral Corporate Finance                                    |
| 38 Matrix Metals Holdings Inc., USA                      | 84 Cathedral & Co   |
| 39 Sanmar Group Germany, GmbH, Germany                   | 85 The Mrs. Madhuran Narayanan Charitable Trust                   |
| 40 Eisenwerk Erla Beteiligungsgesellschaft GmbH, Germany | 86 The Mrs. Madhuran Narayanan Charitable Foundation              |
|  | 87 KSN Family Trust   |
| 41 Eisenwerk Erla GmbH, Germany                          | 88 Sanmar Welfare Trust   |
| 42 N Sankar Properties and Holdings Private Limited      | 89 Madhurika Benefit Trust  |
| 43 Stargate Realty Private Limited                       | 90 Sanmar Special Welfare Trust                                   |
| 44 Sanmar Consultancy Private Limited                    | 91 The Sruti Foundation   |
| 45 Stargate Investments Private Limited                  | 92 The KSN Sports Foundation                                      |
| 46 Chandra Sankar Investment Holdings Private Limited    | 93 Madhuran Narayanan Centre for Exceptional Children             |
| 47 Madhurika Sankar Investment Holdings Private Limited  | 94 Sanmar Senior Management Staff Welfare Foundation              |

The above disclosure has been made, inter alia, for the purpose of Regulation 3(1)(e) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

# Chemplast Sanmar Limited

## Corporate Governance

The Securities and Exchange Board of India (SEBI) has introduced a code of corporate governance for listed companies, which is implemented through the Listing Agreements with the Stock Exchanges with which the company is listed. The company has complied with the corporate governance requirements set out in Clause 49 of the Listing Agreement.

### 1. Brief statement on company's philosophy on code of governance

The company believes that good corporate governance leads to corporate growth and long term gain in shareholder value. The company is committed to maintaining the highest standards of corporate governance in its conduct towards shareholders, employees, customers, suppliers and other stakeholders.

### 2. Board of Directors

#### Composition

As on 31<sup>st</sup> March 2010, the Board of Directors consist of Executive Chairman, one whole-time director and six non-executive directors, of whom four are independent. The composition of the Board is in conformity with the Listing Agreement. None of the Directors is related to each other.

#### Board Meetings

During the year 2009-10, the Board met five times on 19<sup>th</sup> May 2009, 28<sup>th</sup> May 2009, 28<sup>th</sup> July 2009, 26<sup>th</sup> October 2009 and 29<sup>th</sup> January 2010.

The following table gives details of the Directors, attendance of the Directors at the board meetings and at the last annual general meeting and number of memberships held by Directors in Board/ Committees of various companies as on 31<sup>st</sup> March 2010.

| Name and number of equity shares, if any, held in the company | Category                     | Attendance Particulars |                                 | Number of directorships in public companies and Committee Memberships/ Chairmanships (only Audit Committee and Shareholders/ Investors Grievances Committees considered) |                       |                         |
|---|------------------------------|------------------------|---------------------------------|--|-----------------------|-------------------------|
|   |                              | Board Meetings         | Last AGM held on 28th July 2009 | Directorships  | Committee Memberships | Committee Chairmanships |
| Mr P S Jayaraman  | Chairman, Executive          | 4                      | Yes                             | 6  | 2                     | 1                       |
| Mr S Gopal  | Managing Director, Executive | 5                      | Yes                             | 5  | -                     | -                       |
| Mr M K Kumar  | Non-Executive, Independent   | 3                      | Yes                             | 3  | 2                     | 2                       |
| Mr S V Mony   | Non-Executive, Independent   | 5                      | Yes                             | 5  | 4                     | -                       |
| Mr V K Parthasarathy (30,900 equity shares)                   | Non Executive, Independent   | 5                      | Yes                             | 5  | 2                     | -                       |
| Mr V Ramesh (2,883 Equity Shares)                             | Non-Executive                | 5                      | Yes                             | 5  | -                     | -                       |
| Mr M N Radhakrishnan (600 equity shares)                      | Non-Executive                | 5                      | Yes                             | 13   | 5                     | 3                       |
| Mr M S Sekhar   | Non-Executive, Independent   | 4                      | Yes                             | 1  | 1                     | -                       |

None of the directors is a member of board in more than fifteen companies in terms of Section 275 of the Companies Act, 1956, and a member of more than ten board level committees or a chairman of more than five such committees as stipulated under clause 49 of the Listing Agreement.

#### *Board Procedure*

The Board meets at least once a quarter and the interval between two meetings during the year was not more than four months.

The Board is presented with extensive information on vital matters affecting the working of the company and risk assessment and mitigation procedures. Among others, this includes:

- Operating plans, capital budgets and updates and reviews thereof,
- quarterly results of the company,
- financial statements such as cash flow, inventories, sundry debtors and/ or other liabilities or claims of substantial nature,
- performance against operating plans,
- opportunities for expansion, modernisation, new projects, acquisition and disinvestments,
- risks faced and steps taken to mitigate/ minimise the risks,
- minutes of meeting of audit committee and other committees,
- details of any joint venture or collaboration agreement,
- developments in the industrial and human relations front,
- important show cause, demand and penalty notices,
- materially relevant defaults in financial obligations to and by the company or substantial non payment for goods sold by the company,
- significant effluent or pollution problems,
- any issue which involves possible public or product liability claims of a substantial nature,
- foreign exchange exposure and steps taken by management to limit the risks of adverse exchange rate movement,
- proposals for diversification, investment, disinvestments and restructuring and
- compliance of all laws applicable to the company including requirements of Listing Agreement with the Stock Exchanges and steps taken to rectify instances of non compliances, if any.

### **3. Audit Committee**

The company's Audit Committee consists of four Non-Executive Directors – three of them being independent. The composition of the Committee and the qualification of the members of the Committee are in compliance with the requirements of Clause 49 of the Listing Agreement read with Section 292A of the Companies Act, 1956.

The members of the Committee are Mr M K Kumar (Chairman), Mr V K Parthasarathy, Mr M N Radhakrishnan and Mr M S Sekhar.

During 2009-10, the Audit Committee met five times – 19<sup>th</sup> May 2009, 28<sup>th</sup> May 2009, 28<sup>th</sup> July 2009, 26<sup>th</sup> October 2009 and 29<sup>th</sup> January 2010. Mr V K Parthasarathy and Mr M N Radhakrishnan attended all the meetings, Mr M S Sekhar attended four meetings and Mr M K Kumar attended three meetings. The interval between two meetings convened was not more than four months.

The Audit Committee adheres to the Listing Agreement/ Regulations in terms of quorum for its meetings, functioning, role and powers as also those set out in the Companies Act, 1956.

## Chemplast Sanmar Limited

### 4. Remuneration Committee

The company's Remuneration Committee consists of three Non-Executive independent directors.

The members of the Committee are Mr M K Kumar (Chairman), Mr S V Mony and Mr V K Parthasarathy.

The scope/ role of the Remuneration Committee is to recommend to the Board of Directors the remuneration payable to the Wholetime Directors of the company as and when they come for review.

#### *Remuneration of Directors*

The compensation of the wholetime director comprises of a fixed component and commission. The wholetime directors are not paid sitting fee for any board/ committee meetings attended by them.

Non-Executive Directors are paid sitting fees of (i) Rs.10,000 for every meeting of the Board and Audit Committee, (ii) Rs.5,000 for every meeting of Shareholders/ Investors Grievance Committee and Remuneration Committee, and (iii) Rs.500 for every meeting of Share and Debenture Committee, attended by them.

The company has not granted stock options to any director or employee of the company or any other person.

The services of Executive Directors are terminable with a notice period of three months on either side or payment of gross salary in lieu thereof.

Details of remuneration paid or payable to Directors for the year ended 31<sup>st</sup> March 2010:

| Director             | Sitting Fees<br>Rs. | Salary<br>Rs. | Retirement<br>Benefits<br>Rs. | Perquisites<br>Rs. | Commission<br>Rs. | Total<br>Rs. |
|----------------------|---------------------|---------------|-------------------------------|--------------------|-------------------|--------------|
| Mr P S Jayaraman     | Nil                 | 47,88,937     | 5,10,000                      | 5,294              | Nil               | 53,04,231    |
| Mr S Gopal           | Nil                 | 47,92,256     | 3,57,000                      | 3,706              | Nil               | 51,52,962    |
| Mr V Ramesh*         | 30,000              | 7,74,000      | 51,000                        | 530                | Nil               | 8,55,530     |
| Mr M K Kumar         | 70,000              | Nil           | Nil                           | Nil                | Nil               | 70,000       |
| Mr S V Mony          | 50,000              | Nil           | Nil                           | Nil                | Nil               | 50,000       |
| Mr V K Parthasarathy | 1,25,500            | Nil           | Nil                           | Nil                | Nil               | 1,25,500     |
| Mr M N Radhakrishnan | 1,05,000            | Nil           | Nil                           | Nil                | Nil               | 1,05,000     |
| Mr M S Sekhar        | 80,000              | Nil           | Nil                           | Nil                | Nil               | 80,000       |

\* Mr. V Ramesh ceased to be Deputy Managing Director of the company effective 31.05.2009.

### 5. Shareholders/ Investors Grievance Committee

The Board of Directors has constituted a Shareholders/ Investors Grievance Committee, which looks into shareholders and investors grievances.

The members of the Committee are Mr M K Kumar (Chairman), Mr V K Parthasarathy and Mr P S Jayaraman. The Compliance officer is Mr M Raman, Secretary.

During 2009-10, the Shareholders/ Investors Grievance Committee met four times on 28<sup>th</sup> May 2009, 28<sup>th</sup> July 2009, 24<sup>th</sup> October 2009 and 29<sup>th</sup> January 2010.

During 2009-10, the company received 11 complaints from the investors and all of them were resolved to the satisfaction of the investors concerned. As on 31<sup>st</sup> March 2010 there were no investor grievances pending and no transfers were pending for approval.

## 6. Code of Conduct

The company's Code of Conduct has been complied with by all the members of the Board and select employees of the company.

The company has in place Prevention of Insider Trading Code based on SEBI (Prohibition of Insider Trading) Regulations, 1992. This code is applicable to all Directors and designated employees. The code ensures prevention of dealing in shares by persons having access to unpublished price sensitive information.

## 7. General Body Meetings

The last three Annual General Meetings of the company were held as under:

| Year    | Location  | Date       | Time      | Number of special resolutions passed |
|---------|---|------------|-----------|--------------------------------------|
| 2006-07 | Sathguru Gnanananda Hall,<br>Narada Gana Sabha Trust Complex,<br>314 T T K Road, Chennai 600018 | 22.06.2007 | 10.00 A.M | Nil                                  |
| 2007-08 | Sathguru Gnanananda Hall,<br>Narada Gana Sabha Trust Complex,<br>314 T T K Road, Chennai 600018 | 17.07.2008 | 10.00 A.M | Nil                                  |
| 2008-09 | Sathguru Gnanananda Hall,<br>Narada Gana Sabha Trust Complex,<br>314 T T K Road, Chennai 600018 | 28.07.2009 | 10.00 AM  | Nil                                  |

During the year 2009-10 no resolution was passed through postal ballot and at the forthcoming AGM, there is no item on the Agenda that needs approval by postal ballot.

## 8. Disclosures

In preparation of the financial statements, the company has followed the Accounting Standards issued by the Institute of Chartered Accountants of India. The significant accounting policies, which are consistently applied, have been set out in the Notes to the Accounts.

Related party transactions during the year have been disclosed as required under Accounting Standard 18 issued by the Institute of Chartered Accountants of India. Details of related party transactions were periodically placed before the Audit Committee. These transactions are not likely to have any conflict with the company's interest.

Business risk evaluation and managing such risks is an ongoing process within the organisation. The Board is regularly briefed of risks assessed and the measures adopted by the company to mitigate the risks.

During the financial year 2009-10 the company had no pecuniary relationship with any of the non-executive directors (other than payment of sitting fee as set out above).

The company has no subsidiary company.

No strictures/ penalties have been imposed on the company by the Stock Exchanges or SEBI or any statutory authority on any matters relating to the capital market during the last 3 years.

## Chemplast Sanmar Limited

The company's code of conduct has clearly laid down procedures for reporting to the management concerns about unethical behaviour, actual or suspected fraud or violation of the code of conduct or ethics policies. No employee of the company was denied access to the Audit Committee.

Of the non mandatory requirements relevant to the company, training of the Board Members and mechanism for evaluation of Non-Executive Board Members have not been put in place. Of the four independent directors, only one director has a tenure exceeding nine years. The quarterly declaration of financial performance is not sent individually to each household of the shareholders but posted on Website- [www.sanmargroup.com](http://www.sanmargroup.com) and on the Electronic Data Information Filing and Retrieval (EDIFAR) website maintained by National Informatics Centre ([www.sebidifar.nic.in](http://www.sebidifar.nic.in)).

### 9. Information pursuant to Clause 49 IV(G) of the Listing Agreement: A brief resume and name of the companies in which Directors, who are being re-appointed, hold Directorships/ Committee Memberships are given below:

Mr M N Radhakrishnan, 66, is a Mechanical Engineer with over four decades of experience in general management field. He has been with The Sanmar Group for over 30 years. He had been responsible for growth of Sanmar Engineering Corporation and was actively involved in establishing and implementing the joint ventures forming part of Sanmar Engineering Corporation.

Mr Radhakrishnan holds Directorships/ Committee Memberships in the following companies, all of which are group companies, in addition to his directorship in Chemplast Sanmar Limited. Mr Radhakrishnan holds 600 equity shares of the company as on 31<sup>st</sup> March 2010. He is not related to any director of the company.

|   |          |
|---|----------|
| 1. Sanmar Engineering Corporation Limited             | Chairman |
| 2. Flowserve Sanmar Limited                           | Director |
| 3. BS&B Safety Systems (India) Limited                | Director |
| 4. Fisher Sanmar Limited                              | Director |
| 5. Xomox Sanmar Limited                               | Director |
| 6. Tyco Sanmar Limited                                | Director |
| 7. Cabot Sanmar Limited                               | Director |
| 8. Sanmar Speciality Chemicals Limited                | Director |
| 9. Sanmar Engineering Services Limited                | Director |
| 10. SHL Property Holdings Limited                     | Director |
| 11. Sanmar Ferrotech Limited                          | Director |
| 12. Sanmar Foundries Limited                          | Director |
| 13. Sanmar Group Germany GmbH*                        | Director |
| 14. Eisenwerk Erla Beteiligungsgesellschaft GmbH*     | Director |
| 15. Eisenwerk Erla GmbH*                              | Director |
| 16. Metalcast Overseas Steel AG*                      | Director |
| 17. Matrix Metals AG*                                 | Director |
| 18. Mutli Continental Ferro Holdings Company Limited* | Director |
| 19. SFL Holdings Public Company Limited*              | Director |
| 20. Matrix Metals LLC*                                | Director |
| 21. Multi Continental Ferro AG*                       | Director |

\* Incorporated outside India

#### Committee position

|                                    |  |
|------------------------------------|--|
| 1. Cabot Sanmar Limited            | Audit Committee – Member   |
| 2. Chemplast Sanmar Limited        | Audit Committee – Member<br>Share & Debenture<br>Committee – Member<br>Committee of Directors – Member |
| 3. Sanmar Speciality Chemicals Ltd | Audit Committee – Chairman   |
| 4. Tyco Sanmar Limited             | Audit Committee – Chairman   |
| 5. Sanmar Foundries Limited        | Audit Committee – Chairman<br>Remuneration Committee – Chairman  |

Mr V K Parthasarathy, 71 years, is a Commerce Graduate and has extensive experience in diverse fields. He has held various positions in different businesses such as Shipping, Sugar, Fertilizer, Pesticides, Securities Trading and Merchant Banking. He has good exposure in financial and securities market.

Mr Parthasarathy holds Directorships/ Committee Memberships in the following companies, all of which are group companies, in addition to his directorship in Chemplast Sanmar Limited. Mr Parthasarathy holds 30,900 equity shares of the company as on 31<sup>st</sup> March 2010. He is not related to any director of the company.

|  |          |
|--|----------|
| 1. SHL Property Holdings Limited       | Director |
| 2. Sanmar Speciality Chemicals Limited | Director |
| 3. Sanmar Foundries Limited            | Director |
| 4. Sanmar Ferrotech Limited            | Director |

#### **10. Means of communication**

The quarterly/ half yearly results are published in Financial Express (English) and Dina Malar (Tamil). The annual result is published in Financial Express (English) and Dinamani (Tamil). The financial results of the company are also posted on Website – [www.sanmargroup.com](http://www.sanmargroup.com).

As per Clause 51 of the Listing Agreement financial results and shareholding pattern are filed on the Electronic Data Information Filing and Retrieval (EDIFAR) website maintained by National Informatics Centre ([www.sebidifar.nic.in](http://www.sebidifar.nic.in)). These are not sent individually to the shareholders.

There has been no presentation to analysts.

Management Discussion and Analysis highlighting individual businesses has been included in the Directors' Report.

# Chemplast Sanmar Limited

## 11. General Shareholder information

### *Registered Office*

: 9, Cathedral Road, Chennai 600 086.  
Web: [www.sanmargroup.com](http://www.sanmargroup.com)  
E-mail: [csl@sanmargroup.com](mailto:csl@sanmargroup.com)  
[grd@sanmargroup.com](mailto:grd@sanmargroup.com)

### *Annual General Meeting*

Day : Tuesday  
Date : 27<sup>th</sup> July 2010  
Time : 10.00 A.M.  
Venue : Sathguru Gnanananda Hall,  
Narada Gana Sabha Trust Complex,  
314, T T K Road, Chennai 600 018.

### *Financial Year*

: 1st April to 31st March

### *Date of Book Closure*

The Register of Members of the company will be closed from Monday, the 19<sup>th</sup> July 2010 to Tuesday, the 27<sup>th</sup> July 2010, both days inclusive, for the purpose of Annual General Meeting.

### *Listing of Equity shares on Stock Exchanges*

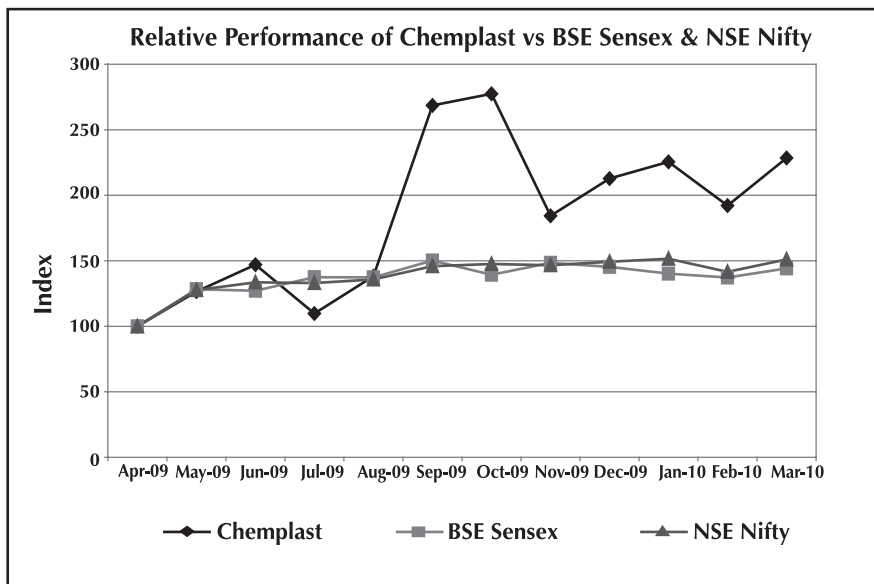
|  | <u>Stock Code</u> |
|--|-------------------|
| (1) Madras Stock Exchange Limited<br>Exchange Buildings<br>New No. 30 (Old No.11), Second Line Beach, Chennai 600001                         | Chemplast         |
| (2) Bombay Stock Exchange Limited<br>Phiroz Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400001   | 506355            |
| (3) National Stock Exchange of India Limited<br>Exchange Plaza, Plot No. C/1, G Block,<br>Bandra Kurla Complex, Bandra (East), Mumbai 400051 | Chemplast EQ      |

The listing fee has been paid upto date to these Stock Exchanges.



Market Price Data

| Month          | Bombay Stock Exchange<br>(Face value of equity shares of Re.1 each.) |           | National Stock Exchange<br>(Face value of equity shares of Re.1 each.) |           |
|----------------|--|-----------|--|-----------|
|                | High (Rs.)   | Low (Rs.) | High (Rs.)   | Low (Rs.) |
| April 2009     | 5.35   | 4.27      | 5.40   | 4.35      |
| May 2009       | 6.47   | 4.05      | 6.50   | 3.90      |
| June 2009      | 7.79   | 5.30      | 7.90   | 5.30      |
| July 2009      | 5.70   | 4.65      | 5.75   | 4.60      |
| August 2009    | 7.15   | 5.39      | 7.30   | 5.30      |
| September 2009 | 13.62  | 6.61      | 13.70  | 6.75      |
| October 2009   | 14.89  | 8.96      | 15.10  | 8.70      |
| November 2009  | 9.79   | 8.55      | 9.75   | 8.25      |
| December 2009  | 10.65  | 8.90      | 11.40  | 9.00      |
| January 2010   | 12.00  | 9.31      | 11.80  | 9.35      |
| February 2010  | 10.10  | 8.00      | 10.00  | 7.95      |
| March 2010     | 13.00  | 8.60      | 12.70  | 8.25      |



## Chemplast Sanmar Limited

### *Code of conduct for prevention of Insider Trading*

The company has implemented a Code of Conduct for Prevention of Insider Trading based on SEBI (Prohibition of Insider Trading) Regulations, 1992. This code is applicable to all Directors and designated employees. The code ensures the prevention of dealing in shares by persons having access to unpublished price sensitive information.

### *Registrar and Transfer Agents*

Integrated Enterprises (India) Limited,  
2<sup>nd</sup> Floor, Kences Towers, 1 Ramakrishna Street,  
North Usman Road, T Nagar, Chennai 600 017  
Telephone: 28140801-03 Fax : 28142479  
Contact person: Mr S. Sriram, Senior Manager  
Email: corpserve@iepindia.com

### *Share Transfer System*

A Committee of Board approves share transfers in the physical form on a monthly basis.

### *Distribution of Shareholding*

The distribution of shareholding and shareholding pattern are given below:

| Shares       | Shareholders |               | No. of shares of Re.1 held |               |
|--------------|--------------|---------------|----------------------------|---------------|
| Category     | Number       | %             | Number                     | %             |
| Up to 500    | 18015        | 52.63         | 4157512                    | 0.52          |
| 501 - 1000   | 5912         | 17.27         | 5259251                    | 0.66          |
| 1001 - 2000  | 4160         | 12.15         | 6491796                    | 0.81          |
| 2001 - 3000  | 1858         | 5.43          | 4768044                    | 0.60          |
| 3001 - 4000  | 949          | 2.77          | 3409034                    | 0.43          |
| 4001 - 5000  | 860          | 2.51          | 4095997                    | 0.51          |
| 5001 - 10000 | 1436         | 4.20          | 10584003                   | 1.32          |
| Above 10001  | 1040         | 3.04          | 760932890                  | 95.15         |
| <b>TOTAL</b> | <b>34230</b> | <b>100.00</b> | <b>799698527</b>           | <b>100.00</b> |

|                      |
|----------------------|
| Shareholding pattern |
|----------------------|

| Category Code   | Category of shareholder   | Number of Shareholders | Total number of shares | Number of shares held dematerialised form | Total shareholding as a percentage of total number of shares |                            |
|-----------------|---|------------------------|------------------------|---|--|----------------------------|
|                 |   |                        |                        |   | As a percentage of (A+B)                                     | As a percentage of (A+B+C) |
| <b>(A)</b>      | <b>Shareholding of Promoter and Promoter Group</b>                                      |                        |                        |   |  |                            |
| <b>(1)</b>      | <b>Indian</b>   |                        |                        |   |  |                            |
| (a)             | Individuals/ Hindu Undivided Family   | 8                      | 11,09,360              | —   | 0.14   | 0.14                       |
| (b)             | Central Government/ State Government(s)   | —                      | —                      | —   | —  | —                          |
| (c)             | Bodies Corporate  | 2                      | 59,85,63,560           | 15,22,53,813                              | 74.85  | 74.85                      |
| (d)             | Financial Institutions/ Banks   | —                      | —                      | —   | —  | —                          |
| (e)             | Any other (Trust)   | 1                      | 1,01,380               | —   | 0.01   | 0.01                       |
|                 | <b>Sub-Total (A)(1)</b>   | <b>11</b>              | <b>59,97,74,300</b>    | <b>15,22,53,813</b>                       | <b>75.00</b>   | <b>75.00</b>               |
| <b>(2)</b>      | <b>Foreign</b>  |                        |                        |   |  |                            |
| (a)             | Individuals (Non-Resident Individuals/ Foreign Individuals)                             | —                      | —                      | —   | —  | —                          |
| (b)             | Bodies Corporate  | —                      | —                      | —   | —  | —                          |
| (c)             | Institutions  | —                      | —                      | —   | —  | —                          |
| (d)             | Any other (specify)   | —                      | —                      | —   | —  | —                          |
|                 | <b>Sub-Total (A)(2)</b>   | <b>—</b>               | <b>—</b>               | <b>—</b>                                  | <b>—</b>   | <b>—</b>                   |
|                 | <b>Total Shareholding of Promoter and Promoter Group (A) = (A)(1)+(A)(2)</b>            | <b>11</b>              | <b>59,97,74,300</b>    | <b>15,22,53,813</b>                       | <b>75.00</b>   | <b>75.00</b>               |
| <b>(B)</b>      | <b>Public shareholding</b>  |                        |                        |   |  |                            |
| <b>(1)</b>      | <b>Institutions</b>   |                        |                        |   |  |                            |
| (a)             | Mutual Funds/ UTI   | 14                     | 1,00,120               | 41,300                                    | 0.01   | 0.01                       |
| (b)             | Financial Institutions/ Banks   | 29                     | 4,08,24,048            | 4,07,62,618                               | 5.11   | 5.11                       |
| (c)             | Central Government/ State Government(s)   | —                      | —                      | —   | —  | —                          |
| (d)             | Venture Capital Funds   | —                      | —                      | —   | —  | —                          |
| (e)             | Insurance Companies   | 2                      | 73,80,009              | 73,80,009                                 | 0.92   | 0.92                       |
| (f)             | Foreign Institutional Investors   | 9                      | 4,08,764               | 3,86,164                                  | 0.05   | 0.05                       |
| (g)             | Foreign Venture Capital Investors   | —                      | —                      | —   | —  | —                          |
| (h)             | Any other (specify)   | —                      | —                      | —   | —  | —                          |
|                 | <b>Sub-Total (B)(1)</b>   | <b>54</b>              | <b>4,87,12,941</b>     | <b>4,85,70,091</b>                        | <b>6.09</b>  | <b>6.09</b>                |
| <b>(2)</b>      | <b>Non – Institutions</b>   |                        |                        |   |  |                            |
| (a)             | Bodies Corporate (Domestic/ Foreign/ Overseas)  | 597                    | 7,62,77,201            | 5,62,08,801                               | 9.54   | 9.54                       |
| (b)             | Individuals (Resident/ NRI/ Foreign Nationals)  |                        |                        |   |  |                            |
| i.              | Individual shareholders holding nominal share capital upto Rs.1 lac                     | 33,390                 | 5,58,62,945            | 4,36,98,710                               | 6.99   | 6.99                       |
| ii.             | Individual shareholders holding nominal share capital in excess of Rs.1 lac             | 23                     | 1,75,62,947            | 1,14,53,857                               | 2.20   | 2.20                       |
| (c)             | Any other   |                        |                        |   |  |                            |
| Trust           |   | 6                      | 23,900                 | 23,900                                    | 0.00   | 0.00                       |
| Clearing Member |   | 149                    | 14,84,293              | 14,84,293                                 | 0.18   | 0.18                       |
|                 | <b>Sub-Total (B)(2)</b>   | <b>34,165</b>          | <b>15,12,11,286</b>    | <b>11,28,69,561</b>                       | <b>18.91</b>   | <b>18.91</b>               |
|                 | <b>Total Public Shareholding (B) = (B)(1)+(B)(2)</b>                                    | <b>34,219</b>          | <b>19,99,24,227</b>    | <b>16,14,39,652</b>                       | <b>25.00</b>   | <b>25.00</b>               |
|                 | <b>TOTAL (A) + (B)</b>  | <b>34,230</b>          | <b>79,96,98,527</b>    | <b>31,36,93,465</b>                       | <b>100.00</b>  | <b>100.00</b>              |
| <b>(C)</b>      | <b>Shares held by custodians and against which Depository Receipts have been issued</b> | <b>—</b>               | <b>—</b>               | <b>—</b>                                  | <b>—</b>   | <b>—</b>                   |
|                 | <b>GRAND TOTAL (A) + (B) + (C)</b>  | <b>34,230</b>          | <b>79,96,98,527</b>    | <b>31,36,93,465</b>                       | <b>100.00</b>  | <b>100.00</b>              |

# Chemplast Sanmar Limited

## Dematerialisation of Shares

The shares of the company are compulsorily traded in dematerialised form. The Code Number allotted by National Securities Depository Limited and Central Depository Services (India) Limited is INE488A01027.

## Outstanding GDRs/ ADRs/ Warrants or Convertible Bonds

There are no outstanding convertible warrants/ instruments.

## Plant Locations

|                                   |  |
|-----------------------------------|--|
| Mettur Dam, Tamil Nadu            | : PVC  |
|                                   | : Chlorochemicals<br>Caustic Soda, Chlorine,<br>Chloromethanes,<br>Refrigerant Gases and<br>Silicon Wafers |
| Krishnagiri & Panruti, Tamil Nadu | : Industrial Alcohol   |
| Vedaranyam, Tamil Nadu            | : Industrial Salt  |
| Cuddalore, Tamil Nadu             | : PVC  |
| Ponneri, Tamil Nadu               | : Trubore Piping Systems   |
| Shinoli, Maharashtra              | : Trubore Piping Systems   |
| Karaikal, Puducherry              | : Caustic Soda, Chlorine & Ethylene Dichloride   |

## Investor Correspondence

- |   |   |
|---|---|
| (i) For all matters relating to shares, dividends, annual report  | : Integrated Enterprises (India) Ltd.,<br>2nd Floor, Kences Towers,<br>1, Ramakrishna Street,<br>North Usman Road, T Nagar, Chennai 600 017.<br>Telephone : +91 44 28140801-03<br>Fax : +91 44 28142479<br>E-mail: corpserve@iepindia.com<br>Contact Person : Mr. S. Sriram, Senior Manager |
| (ii) For all general matters or in case of any difficulties/ grievances and matters not resolved by the Registrar to the satisfaction of the investor | : The Secretary,<br>Chemplast Sanmar Limited,<br>9, Cathedral Road, Chennai 600 086.<br>Telephone : +91 44 28128500/ 28128722/<br>28128723/ 28128724<br>Fax : +91 44 28112627<br>E-mail : grd@sanmargroup.com (or)<br>csf@sanmargroup.com (or)<br>mr1@sanmargroup.com                       |

## **DECLARATION**

As Provided under Clause 49 of the Listing Agreement with the Stock Exchanges, the Board Members and select employees have confirmed compliance with the Code of Conduct.

Chennai  
April 30, 2010

For Chemplast Sanmar Limited  
P S JAYARAMAN  
Chairman

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## **Auditors' Certificate regarding compliance with the conditions of Corporate Governance**

**To the members of  
CHEMPLAST SANMAR LIMITED**

1. We have examined the compliance with the conditions of Corporate Governance by Chemplast Sanmar Limited, ("the company") for the year ended March 31, 2010, as stipulated in Clause 49 of the Listing Agreements of the said company with stock exchanges in India.
2. The compliance with conditions of Corporate Governance is the responsibility of the company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance with 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:
  - a) We certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.
  - b) 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 PRICE WATERHOUSE & CO  
Firm Registration Number: 007567S  
Chartered Accountants

Chennai  
April 30, 2010

S DATTA  
Partner  
Membership Number: F14128

# Chemplast Sanmar Limited

## Auditors' Report

To the members of  
CHEMPLAST SANMAR LIMITED

1. We have audited the attached Balance Sheet of Chemplast Sanmar Limited ("the company") as at March 31, 2010, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the 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, as amended by the Companies (Auditors' Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
  - (e) On the basis of written representations received from the directors, as on March 31, 2010 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act, 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 March 31, 2010;
    - (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 year ended on that date.

For PRICE WATERHOUSE & CO  
Firm Registration Number: 007567S  
Chartered Accountants

Chennai  
April 30, 2010

S DATTA  
Partner  
Membership Number: F14128

## Annexure to the Auditors' Report

Referred to in paragraph 3 of the Auditors' Report of even date to the members of Chemplast Sanmar Limited on the financial statements for the year ended March 31, 2010

1. (a) The company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.  
 (b) The fixed assets of the company have been physically verified by the Management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.  
 (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year.
2. (a) The inventory (excluding stocks with third parties) has been physically verified by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.  
 (b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the company and the nature of its business.  
 (c) On the basis of our examination of the inventory records, in our opinion, the company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (a) The company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.  
 (b) The company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, no major weakness have been noticed or reported.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.  
 (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lacs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the books of account maintained by the company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
9. (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax/ value added tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities. .

## Chemplast Sanmar Limited

- (b) According to the information and explanations given to us and the records of the company examined by us, the particulars of dues of income tax, sales tax/ value added tax, wealth tax, service tax, customs duty, excise duty and cess as at March 31, 2010 which have not been deposited on account of a dispute, are as follows:

| Name of the Statute         | Nature of the dues   | Amount Rs.Lacs | Forum where dispute is pending             |
|-----------------------------|----------------------|----------------|--|
| TN Value Added Tax, 2007    | VAT/ Penalty         | 71             | Additional Commissioner – Commercial Taxes |
| Central Sales Tax Act, 1956 | Sales Tax/ Penalty   | 415            | Assistant Commissioner – Commercial Taxes  |
| Customs Act, 1962           | Customs duty         | 12             | Customs, Excise and Service Tax Tribunal   |
| Central Excise Act, 1944    | Excise Duty/ Penalty | 709            | Customs, Excise and Service Tax Tribunal   |
| Central Excise Act, 1944    | Excise Duty/ Penalty | 36             | Commissioner of Central Excise (Appeals)   |
| Central Excise Act, 1944    | Excise Duty          | 4              | Chennai High Court                         |
| Central Excise Act, 1944    | Excise Duty          | 3              | Deputy Commissioner of Central Excise      |
| Income Tax Act, 1961        | Income Tax           | 988            | Commissioner of Income Tax (Appeals)       |

10. The accumulated losses of the company as at March 31, 2010 have not exceeded fifty percent of its net worth. The company has incurred cash loss in the financial year ended on that date and in the immediately preceding financial year.
11. According to the records of the company examined by us and the information and explanation given to us, the company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the company.
14. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the company, for loans taken by others from banks or financial institutions, are not prejudicial to the interest of the company.
16. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
17. On the basis of an overall examination of the Balance Sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
18. 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 during the year.
19. The company has not issued any debentures during the year.
20. The Management has disclosed the end use of money raised by public issues (Refer Note [27] on Schedule 21) which has been verified by us.
21. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the Management.

For PRICE WATERHOUSE & CO  
Firm Registration Number: 007567S  
Chartered Accountants

Chennai  
April 30, 2010

S DATTA  
Partner  
Membership Number: F14128



## Five Year Summary

(Rs.Crores)

| Particulars                 | 2009-10         | 2008-09 | 2007-08 | 2006-07 | 2005-06 |
|-----------------------------|-----------------|---------|---------|---------|---------|
| <b>Results for the year</b> |                 |         |         |         |         |
| Sales and other income      | <b>1062.88</b>  | 820.48  | 811.94  | 707.83  | 699.49  |
| Profit/ (Loss) for the year | <b>(186.48)</b> | (99.07) | 8.00    | 32.19   | 46.02   |
| Profit/ (Loss) after tax *  | <b>(128.16)</b> | (66.61) | 7.18    | 17.67   | 36.71   |

## Year end position

### Capital Employed

|                    |                 |         |         |        |        |
|--------------------|-----------------|---------|---------|--------|--------|
| Fixed Assets       | <b>1467.36</b>  | 1447.38 | 1162.11 | 739.84 | 473.07 |
| Net Current Assets | <b>(105.50)</b> | 112.18  | 100.04  | 38.88  | 71.27  |
|                    | <b>1361.86</b>  | 1559.56 | 1262.15 | 778.72 | 544.34 |

## Sources of funds

### Shareholders' funds

|   |                |         |         |        |        |
|---|----------------|---------|---------|--------|--------|
| Equity share capital  | <b>79.97</b>   | 47.98   | 47.98   | 47.98  | 47.98  |
| Advance towards rights entitlement from Sanmar Holdings Limited | –              | 120.00  | 120.00  | –      | –      |
| Reserves  | <b>131.69</b>  | 133.52  | 200.18  | 193.68 | 179.91 |
|   | <b>211.66</b>  | 301.50  | 368.16  | 241.66 | 227.89 |
| Deferred Tax Liability/ (Asset) - Net                           | <b>(44.76)</b> | 13.57   | 46.51   | 47.03  | 45.16  |
| Borrowed funds  | <b>1194.96</b> | 1244.49 | 847.48  | 490.03 | 271.29 |
|   | <b>1361.86</b> | 1559.56 | 1262.15 | 778.72 | 544.34 |

## Equity share statistics

(for face value of Re.1/- per share)

|            |               |        |      |      |      |
|------------|---------------|--------|------|------|------|
| Earnings   | <b>(1.60)</b> | (1.39) | 0.15 | 0.37 | 0.77 |
| Book value | <b>2.65</b>   | 3.78   | 5.17 | 5.04 | 4.75 |

Figures have been regrouped wherever required

\* After considering provision of Rs.0.03 crores for 2009-10, Rs.0.02 crores for 2008-09, reversal of Rs.0.70 crores of 2007-08 and provision of Rs.5.52 crores for 2006-07 towards income tax relating to previous years.

# Chemplast Sanmar Limited

## Profit and Loss Account for the year ended March 31, 2010

|   | Schedule | 2009-10<br>Rs.Lacs | 2008-09<br>Rs.Lacs |
|---|----------|--------------------|--------------------|
| <b>INCOME</b>   |          |                    |                    |
| Sales   | 1        | 101155.22          | 75631.32           |
| Less: Excise duty   |          | 7786.87            | 8153.30            |
|   |          | <u>93368.35</u>    | <u>67478.02</u>    |
| Other income  | 2        | 5132.58            | 6416.93            |
|   |          | <u>98500.93</u>    | <u>73894.95</u>    |
| <b>EXPENDITURE</b>  |          |                    |                    |
| Cost of goods sold  | 3        | 73960.04           | 56193.56           |
| Salaries, wages and amenities to staff                      | 4        | 6714.03            | 5837.20            |
| Repairs and maintenance                                     | 5        | 3829.25            | 3586.92            |
| Other expenses  | 6        | 7324.97            | 5238.81            |
| Interest and finance charges                                | 7        | 12469.28           | 7549.08            |
| Depreciation/ Amortisation                                  |          | 7637.35            | 5396.04            |
|   |          | <u>111934.92</u>   | <u>83801.61</u>    |
| <b>PROFIT/ (LOSS) BEFORE TAX AND EXCEPTIONAL ITEMS</b>      |          | <b>(13433.99)</b>  | <b>(9906.66)</b>   |
| Reversal/ (Provision) for                                   |          |                    |                    |
| Income tax  |          | (3.37)             | (1.64)             |
| Deferred tax  |          | 4191.00            | 3294.00            |
| Fringe benefits tax   |          | 2.06               | (47.00)            |
|   |          | <u>4189.69</u>     | <u>3245.36</u>     |
| <b>PROFIT/ (LOSS) AFTER TAX BEFORE EXCEPTIONAL ITEMS</b>    |          | <b>(9244.30)</b>   | <b>(6661.30)</b>   |
| Exceptional items net of tax (Refer Note 18 in Schedule 21) |          | <b>(3572.11)</b>   | <b>—</b>           |
| <b>PROFIT/ (LOSS) AFTER TAX FOR THE YEAR</b>                |          | <b>(12816.41)</b>  | <b>(6661.30)</b>   |
| Profit brought forward                                      |          | 7835.54            | 14496.84           |
| <b>PROFIT/ (LOSS) CARRIED TO BALANCE SHEET</b>              |          | <b>(4980.87)</b>   | <b>7835.54</b>     |
| Earnings per share (In Rupees)                              |          | <b>Rs.(1.60)</b>   | <b>Rs.(1.39)</b>   |

(Nominal Value - Re.1 per share)

Notes on Accounts 21

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

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

For PRICE WATERHOUSE & CO  
Firm Registration Number: 007567S  
Chartered Accountants

P.S. JAYARAMAN  
Chairman

S. GOPAL  
Managing Director

S DATTA  
Partner  
Membership No.F14128  
Chennai  
April 30, 2010

M. RAMAN  
Secretary

M.K. KUMAR  
S.V. MONY  
V.K. PARTHASARATHY  
V. RAMESH  
Directors

## Balance Sheet as at March 31, 2010

|   | Schedule | 31.03.2010       |                   | 31.03.2009      |                  |
|---|----------|------------------|-------------------|-----------------|------------------|
|   |          | Rs.Lacs          | Rs.Lacs           | Rs.Lacs         | Rs.Lacs          |
| <b>SOURCES OF FUNDS</b>   |          |                  |                   |                 |                  |
| SHAREHOLDERS' FUNDS   |          |                  |                   |                 |                  |
| Capital   | 8        | <b>7996.99</b>   |                   | 4798.19         |                  |
| Advance received towards rights entitlement from Sanmar Holdings Limited                              |          | —                |                   | 12000.00        |                  |
| Reserves and surplus  | 9        | <b>18646.78</b>  | <b>26643.77</b>   | <b>13857.39</b> | 30655.58         |
| LOAN FUNDS  |          |                  |                   |                 |                  |
| Secured loans   | 10       | <b>119495.86</b> |                   | 122449.11       |                  |
| Unsecured loans   | 11       | —                | <b>119495.86</b>  | <b>2000.00</b>  | 124449.11        |
| DEFERRED TAX LIABILITY (NET)  |          |                  | —                 |                 | 1357.00          |
|   |          |                  | <b>146139.63</b>  |                 | <b>156461.69</b> |
| <b>APPLICATION OF FUNDS</b>   |          |                  |                   |                 |                  |
| FIXED ASSETS  | 12       |                  |                   |                 |                  |
| Gross block   |          | <b>196752.86</b> |                   | 106841.50       |                  |
| Less: Depreciation/ Amortisation/ Impairment  |          | <b>50263.77</b>  |                   | 37444.58        |                  |
| Net block   |          | <b>146489.09</b> |                   | 69396.92        |                  |
| Capital work in progress  |          | <b>247.20</b>    | <b>146736.29</b>  | <b>75341.23</b> | 144738.15        |
| INVESTMENTS   | 13       |                  | <b>37.73</b>      |                 | 165.23           |
| DEFERRED TAX ASSET (NET)  |          |                  | <b>4476.00</b>    |                 | —                |
| CURRENT ASSETS,<br>LOANS AND ADVANCES   |          |                  |                   |                 |                  |
| Inventories   | 14       | <b>21412.80</b>  |                   | 10971.34        |                  |
| Sundry debtors  | 15       | <b>9667.08</b>   |                   | 4180.11         |                  |
| Cash and bank balances  | 16       | <b>3418.15</b>   |                   | 3836.57         |                  |
| Other current assets  | 17       | <b>3953.83</b>   |                   | 1171.25         |                  |
| Loans and advances  | 18       | <b>16705.40</b>  |                   | 14944.18        |                  |
|   |          | <b>55157.26</b>  |                   | <b>35103.45</b> |                  |
| Less: CURRENT LIABILITIES<br>AND PROVISIONS   |          |                  |                   |                 |                  |
| Liabilities   | 19       | <b>65661.61</b>  |                   | 23702.13        |                  |
| Provisions  | 20       | <b>83.29</b>     |                   | 348.43          |                  |
|   |          | <b>65744.90</b>  |                   | <b>24050.56</b> |                  |
| NET CURRENT ASSETS  |          |                  | <b>(10587.64)</b> |                 | 11052.89         |
| MISCELLANEOUS EXPENDITURE<br>TO THE EXTENT NOT WRITTEN<br>OFF OR ADJUSTED<br>(Note 15 in Schedule 21) |          |                  | <b>496.38</b>     |                 | 505.42           |
| PROFIT & LOSS ACCOUNT   |          |                  | <b>4980.87</b>    |                 | —                |
|   |          |                  | <b>146139.63</b>  |                 | <b>156461.69</b> |
| Notes on Accounts   | 21       |                  |                   |                 |                  |

Schedules referred to above form an integral part of the Balance Sheet.  
This is the Balance Sheet referred to in our report of even date.

For PRICE WATERHOUSE & CO  
Firm Registration Number: 007567S  
Chartered Accountants

P.S. JAYARAMAN  
Chairman

S. GOPAL  
Managing Director

S DATTA  
Partner  
Membership No.F14128  
Chennai  
April 30, 2010

M. RAMAN  
Secretary

M.K. KUMAR  
S.V. MONY  
V.K. PARTHASARATHY  
V. RAMESH  
Directors

## Chemplast Sanmar Limited

### Schedules forming part of the Accounts for the year ended March 31, 2010

|  | 2009-10        |                  | 2008-09        |                  |
|--|----------------|------------------|----------------|------------------|
|  | Quantity<br>MT | Value<br>Rs.Lacs | Quantity<br>MT | Value<br>Rs.Lacs |
| <b>SCHEDULE 1</b>  |                |                  |                |                  |
| SALES  |                |                  |                |                  |
| Polyvinyl chloride   | 109068         | 64007.43         | 54552          | 34061.48         |
| Caustic soda   | 93830          | 15770.42         | 95545          | 19849.40         |
| Chloromethanes   | 26541          | 7461.08          | 29829          | 6928.42          |
| Hydrochloric acid  | 92977          | 719.41           | 72750          | 633.44           |
| Refrigerant gases  | 2394           | 2199.13          | 1460           | 1668.80          |
| Ethyl silicate   | 14             | 15.27            | 125            | 124.59           |
| Hydrogen gas   | 105            | 170.96           | 91             | 132.22           |
| Silicon wafers (in '000 Nos)   | 355            | 422.00           | 92             | 262.33           |
| Pipes  | 13942          | 8612.90          | 13324          | 8295.64          |
| Others   |                | 1776.62          |                | 3675.00          |
|  |                | <u>101155.22</u> |                | <u>75631.32</u>  |
| <b>SCHEDULE 2</b>  |                |                  |                |                  |
| OTHER INCOME   |                |                  |                |                  |
| Share of income from partnership firm                                      |                | 8.75             |                | 91.90            |
| Montreal Protocol compensation<br>(Note 16 in Schedule 21)                 |                | 489.90           |                | 501.76           |
| Income from Certified Emission Reduction (CER)<br>(Note 17 in Schedule 21) |                | 4553.40          |                | 4621.43          |
| Profit on sale of fixed assets (net)                                       |                | 19.43            |                | 31.63            |
| Liabilities/ provision no longer required written back                     |                | –                |                | 835.13           |
| Difference in exchange (net)   |                | 32.07            |                | –                |
| Miscellaneous income   |                | 29.03            |                | 335.08           |
|  |                | <u>5132.58</u>   |                | <u>6416.93</u>   |

|  | 2009-10         |                 | 2008-09         |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | Rs.Lacs         | Rs.Lacs         | Rs.Lacs         | Rs.Lacs         |
| <b>SCHEDULE 3</b>                                    |                 |                 |                 |                 |
| COST OF GOODS SOLD                                   |                 |                 |                 |                 |
| Materials  |                 |                 |                 |                 |
| Opening stock  |                 |                 |                 |                 |
| Raw materials  | 1918.47         |                 | 708.57          |                 |
| Intermediates  | 5161.17         |                 | 2137.31         |                 |
| Work in process                                      | 151.87          |                 | 202.70          |                 |
| Finished goods                                       | <u>1420.07</u>  | 8651.58         | <u>1565.21</u>  | 4613.79         |
| Add: Purchases                                       |                 |                 |                 |                 |
| Raw materials  | 5022.64         |                 | 14413.45        |                 |
| Intermediates  | <u>55168.69</u> | 60191.33        | <u>18552.20</u> | 32965.65        |
| Less: Closing stock                                  |                 |                 |                 |                 |
| Raw materials  | 1010.69         |                 | 1918.47         |                 |
| Intermediates  | 8454.56         |                 | 5161.17         |                 |
| Work in process                                      | 124.05          |                 | 151.87          |                 |
| Finished goods                                       | <u>9582.58</u>  | (19171.88)      | <u>1420.07</u>  | (8651.58)       |
| Excise duty on closing stock of finished goods       | 995.73          |                 | 145.18          |                 |
| Less: Excise duty on opening stock of finished goods | <u>145.18</u>   | 850.55          | <u>243.14</u>   | (97.96)         |
|  |                 | <u>50521.58</u> |                 | 28829.90        |
| Power and fuel                                       | 20845.28        |                 | 25593.92        |                 |
| Stores   | 2593.18         |                 | 1769.74         |                 |
|  |                 | <u>73960.04</u> |                 | <u>56193.56</u> |

#### SCHEDULE 4

##### SALARIES, WAGES AND AMENITIES TO STAFF

|   |                |                |
|---|----------------|----------------|
| Salaries, wages and bonus                 | 6252.84        | 5402.52        |
| Contribution to provident and other funds | 270.44         | 239.53         |
| Gratuity                                  | 134.81         | 141.18         |
| Staff welfare expenses                    | 55.94          | 53.97          |
|   | <u>6714.03</u> | <u>5837.20</u> |

## Chemplast Sanmar Limited

|  | 2009-10<br>Rs.Lacs | 2008-09<br>Rs.Lacs |
|--|--------------------|--------------------|
| <b>SCHEDULE 5</b>  |                    |                    |
| REPAIRS AND MAINTENANCE  |                    |                    |
| Machinery  | 3172.53            | 2992.78            |
| Buildings  | 244.78             | 344.48             |
| Others   | 411.94             | 249.66             |
|  | <b>3829.25</b>     | <b>3586.92</b>     |
| <b>SCHEDULE 6</b>  |                    |                    |
| OTHER EXPENSES   |                    |                    |
| Rent (net of recovery Rs.43.34 Lacs; Previous year Rs.48.75 Lacs)                            | 686.65             | 534.23             |
| Insurance  | 272.80             | 256.89             |
| Rates and taxes  | 361.34             | 293.44             |
| Sales commission   | 45.19              | 22.40              |
| Freight and handling   | 2450.09            | 1010.47            |
| Miscellaneous expenses   | 3508.90            | 3121.38            |
|  | <b>7324.97</b>     | <b>5238.81</b>     |
| <b>SCHEDULE 7</b>  |                    |                    |
| INTEREST AND FINANCE CHARGES   |                    |                    |
| Interest (net of interest on deposits etc.* Rs.312.23 Lacs;<br>Previous year Rs.100.63 Lacs) |                    |                    |
| – On fixed loans   | 10188.42           | 6226.44            |
| – Others   | 643.53             | 609.87             |
| Difference in exchange (net)   | -                  | 100.69             |
| Finance charges (including amortisation of Rs.83.60 Lacs;<br>Previous year - Rs.114.47 Lacs) | 1637.33            | 612.08             |
|  | <b>12469.28</b>    | <b>7549.08</b>     |
| * Includes tax deducted at source  | 7.62               | 53.47              |

## SCHEDULE 8

### CAPITAL

#### AUTHORISED

|  | 31.03.2010<br>Rs.Lacs | 31.03.2009<br>Rs.Lacs |
|--|-----------------------|-----------------------|
| 200,00,00,000 Equity shares of Re.1/- each                         | 20000.00              | 20000.00              |
| 35,00,000 Cumulative redeemable preference shares of Rs.100/- each | 3500.00               | 3500.00               |
|  | <b>23500.00</b>       | <b>23500.00</b>       |

#### ISSUED

|  |                |                |
|--|----------------|----------------|
| 79,96,99,067 (previous year 47,98,19,440) Equity shares of Re.1 each   | 7996.99        | 4798.19        |
| SUBSCRIBED AND FULLY PAID UP   |                |                |
| 79,96,98,527 (previous year 47,98,19,440) Equity shares of Re.1/- each | 7996.99        | 4798.19        |
|  | <b>7996.99</b> | <b>4798.19</b> |

Note :

Of the above:

|  |                        |                        |
|--|------------------------|------------------------|
| (i) Number of equity shares issued and allotted as fully paid up pursuant to schemes of amalgamation without payment being received in cash                  | 21,67,26,150           | 21,67,26,150           |
| (ii) Number of equity shares allotted as bonus shares by way of capitalisation of Reserves (Rs.443.64 Lacs) and from share premium account (Rs.1407.29 Lacs) | 18,50,93,290           | 18,50,93,290           |
| (iii) Number of equity shares held by Sanmar Holdings Limited, the holding company   | 59,85,62,200<br>74.85% | 35,86,52,480<br>74.75% |
| (iv) Number of equity shares allotted on April 27, 2009 pursuant to rights issue   | 31,98,79,087           | —                      |

## SCHEDULE 9

### RESERVES AND SURPLUS

|                            | As at<br>31.03.2009<br>Rs.Lacs | Additions<br>Rs.Lacs | Deductions<br>Rs.Lacs | As at<br>31.03.2010<br>Rs.Lacs |
|----------------------------|--------------------------------|----------------------|-----------------------|--------------------------------|
| General Reserve            | 2308.90                        | —                    | —                     | 2308.90                        |
| Capital Redemption Reserve | 3712.95                        | —                    | —                     | 3712.95                        |
| Share Premium Account      | —                              | 12795.17             | 170.24                | 12624.93                       |
| Profit and Loss Account    | 7835.54                        | —                    | 7835.54               | —                              |
|                            | <b>13857.39</b>                | <b>12795.17</b>      | <b>8005.78</b>        | <b>18646.78</b>                |

## Chemplast Sanmar Limited

|                        | 31.03.2010<br>Rs.Lacs | 31.03.2009<br>Rs.Lacs |
|------------------------|-----------------------|-----------------------|
| <b>SCHEDULE 10</b>     |                       |                       |
| SECURED LOANS          |                       |                       |
| Term loans from        |                       |                       |
| Banks                  | 111245.86             | 104201.21             |
| Others                 | 8250.00               | 8450.00               |
| Cash credit from banks | –                     | 9797.90               |
|                        | <b>119495.86</b>      | <b>122449.11</b>      |

For security particulars refer note 11 in Schedule 21

|                       |          |                |
|-----------------------|----------|----------------|
| <b>SCHEDULE 11</b>    |          |                |
| UNSECURED LOANS       |          |                |
| Short term loans from |          |                |
| Others                | –        | 2000.00        |
|                       | <b>–</b> | <b>2000.00</b> |

|                                   | Rs.Lacs             |           |           |  |                 |                     |                     |                     |
|-----------------------------------|---------------------|-----------|-----------|--|-----------------|---------------------|---------------------|---------------------|
|                                   | GROSS BLOCK         |           |           | DEPRECIATION/<br>AMORTISATION/<br>IMPAIRMENT |                 |                     | NET BLOCK           |                     |
|                                   | As at<br>31.03.2009 | Additions | Deletions | As at<br>31.03.2010                          | For the<br>year | Up to<br>31.03.2010 | As at<br>31.03.2010 | As at<br>31.03.2009 |
| Land - Freehold                   | 4155.40             | 4940.97   | –         | 9096.37                                      | –               | –                   | 9096.37             | 4155.40             |
| Land - Leasehold                  | 766.60              | –         | –         | 766.60                                       | 7.51            | 54.40               | 712.20              | 719.71              |
| Buildings                         | 9004.38             | 5863.69   | –         | 14868.07                                     | 774.50          | 2616.82             | 12251.25            | 7162.05             |
| Plant and machinery               | 90825.02            | 78220.18  | 10.82     | 169034.38                                    | 11795.90        | 45702.50            | 123331.88           | 56915.21            |
| Furniture and<br>office equipment | 1606.08             | 909.54    | 4.30      | 2511.32                                      | 219.89          | 1482.98             | 1028.34             | 331.07              |
| Vehicles                          | 437.67              | 9.22      | 17.12     | 429.77                                       | 53.66           | 360.72              | 69.05               | 113.48              |
| Intangible assets                 |                     |           |           |  |                 |                     |                     |                     |
| Software                          | 46.35               | –         | –         | 46.35  | –               | 46.35               | –                   | –                   |
|                                   | 106841.50           | 89943.60  | 32.24     | 196752.86                                    | 12851.46        | 50263.77            | 146489.09           | 69396.92            |
| Previous year                     | 99850.17            | 7533.97   | 542.64    | 106841.50                                    | 5396.04         | 37444.58            |                     |                     |
| Capital work in progress          |                     |           |           |  |                 |                     | 247.20              | 75341.23            |
|                                   |                     |           |           |  |                 |                     | <b>146736.29</b>    | <b>144738.15</b>    |



|   | 31.03.2010<br>Rs.Lacs | 31.03.2009<br>Rs.Lacs |
|---|-----------------------|-----------------------|
| <b>SCHEDULE 13</b>                                      |                       |                       |
| INVESTMENTS   |                       |                       |
| Long Term Investments at cost (non trade - unquoted)    |                       |                       |
| i) In shares of a body corporate                        | 37.50                 | 165.00                |
| ii) In a Partnership firm (Rs.100)                      |                       |                       |
| iii) In Government securities                           | 0.23                  | 0.23                  |
|   | <u>37.73</u>          | <u>165.23</u>         |
| For details of investments refer note 12 in Schedule 21 |                       |                       |
| <b>SCHEDULE 14</b>                                      |                       |                       |
| INVENTORIES   |                       |                       |
| Stores and spares                                       | 2240.92               | 2319.76               |
| Raw materials   | 1010.69               | 1918.47               |
| Intermediates   | 8454.56               | 5161.17               |
| Work in process   | 124.05                | 151.87                |
| Finished goods  | 9582.58               | 1420.07               |
|   | <u>21412.80</u>       | <u>10971.34</u>       |
| <b>SCHEDULE 15</b>                                      |                       |                       |
| SUNDRY DEBTORS  |                       |                       |
| (Unsecured, considered good)                            |                       |                       |
| Debts outstanding for a period of less than six months  | 9667.08               | 4180.11               |
|   | <u>9667.08</u>        | <u>4180.11</u>        |
| <b>SCHEDULE 16</b>                                      |                       |                       |
| CASH AND BANK BALANCES                                  |                       |                       |
| Cash and cheques on hand                                | 84.15                 | 587.34                |
| Balances with scheduled banks                           |                       |                       |
| on current accounts                                     | 1337.72               | 1253.34               |
| on deposit accounts                                     | 1995.56               | 1995.31               |
| Balance in Post Office Savings Bank Account             | 0.72                  | 0.58                  |
|   | <u>3418.15</u>        | <u>3836.57</u>        |

## Chemplast Sanmar Limited

|   | 31.03.2010<br>Rs.Lacs | 31.03.2009<br>Rs.Lacs |
|---|-----------------------|-----------------------|
| <b>SCHEDULE 17</b>  |                       |                       |
| OTHER CURRENT ASSETS  |                       |                       |
| (Unsecured, considered good)  |                       |                       |
| Interest accrued on deposits etc                                    | 355.21                | 176.95                |
| Claims receivable   | 11.93                 | 1.83                  |
| CER accrued   | 3586.69               | 992.47                |
|   | <b>3953.83</b>        | <b>1171.25</b>        |
| <b>SCHEDULE 18</b>  |                       |                       |
| LOANS AND ADVANCES  |                       |                       |
| (Unsecured, considered good)  |                       |                       |
| Advances recoverable in cash or in kind or for value to be received | 3003.52               | 5536.74               |
| Deposits  | 3083.03               | 2893.36               |
| Balances with customs and excise authorities                        | 10618.85              | 6514.08               |
|   | <b>16705.40</b>       | <b>14944.18</b>       |
| <b>SCHEDULE 19</b>  |                       |                       |
| LIABILITIES   |                       |                       |
| Sundry creditors  |                       |                       |
| Dues to Micro, Small and Medium Enterprises                         | 23.42                 | –                     |
| Others  | 63482.00              | 22359.05              |
| Other Liabilities   | 2058.90               | 1273.47               |
| Unclaimed dividends   | 3.29                  | 12.34                 |
| Interest accrued but not due on loans                               | 94.00                 | 57.27                 |
|   | <b>65661.61</b>       | <b>23702.13</b>       |

Note:

There is no amount due to be credited to Investor Education and Protection Fund

## SCHEDULE 20

### PROVISIONS

|   | 31.03.2010<br>Rs.Lacs | 31.03.2009<br>Rs.Lacs |
|---|-----------------------|-----------------------|
| Provision for current tax                           | 654.56                | 843.08                |
| Provision for fringe benefits tax                   | 87.75                 | 124.13                |
|   | <u>742.31</u>         | <u>967.21</u>         |
| Less: Advance income tax and tax deducted at source | (573.30)              | (496.52)              |
| Less: Advance fringe benefits tax                   | (85.72)               | (122.26)              |
|   | <u>83.29</u>          | <u>348.43</u>         |

## SCHEDULE 21

### NOTES ON ACCOUNTS

#### 1. SIGNIFICANT ACCOUNTING POLICIES

##### 1.1 Revenue recognition:

Sales are recognised on despatch of products to customers, which generally coincides with transfer of ownership. Sales are net of returns, trade discounts and allowances.

##### 1.2 Valuation of assets:

- Inventories are valued at lower of cost and net realisable value. Cost is determined on weighted average basis and comprises of all applicable costs incurred for bringing the inventories to their present location and condition and includes appropriate overheads wherever applicable.
- Fixed assets are valued at cost excepting land, buildings and plant and machinery in respect of PVC division which are stated at revalued amounts.
- An impairment loss is recognised whenever the carrying amount of an asset exceeds the recoverable amount.

##### 1.3 Depreciation/ Amortisation:

Depreciation on fixed assets is provided on a straight line basis at the rates (other than the Assets stated below) specified in Schedule XIV of the Companies Act, 1956:

- On all assets whose actual cost does not exceed Rs.5,000 - 100%.
- On moulds, computers and peripherals and motor cars - 33.33%.
- On furniture and office equipment - 20%
- Leasehold land is amortised over the period of lease
- In the event the useful life of any fixed asset being assessed to be lower than the life derived from Schedule XIV rates or above mentioned rates, the book value of such assets is charged off as depreciation, during the balance useful life of such assets.

##### 1.4 New Project expenses/ Borrowing costs:

Salaries and related costs, travel and other direct costs including exchange difference arising from settlement/ restatement of foreign currency liability contracted for import of fixed assets relating to new projects incurred prior to their commencement of operation are capitalised.

## Chemplast Sanmar Limited

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset. These borrowing costs include exchange differences arising from foreign currency borrowings to the extent that they are regarded as adjustment to interest.

### 1.5 Employee Benefits:

Short term employee benefits including accumulated compensated absence are recognised as an expense as per the company's Scheme based on expected obligations on undiscounted basis.

Post Retirement benefits comprise of employees' provident fund and gratuity which are accounted for as follows:

#### (a) Provident Fund

This is a defined contribution plan and contributions made to the fund are charged to revenue. The company has no further obligations for future provident fund benefits other than annual contributions.

#### (b) Gratuity

This is a defined benefit plan and the Company's Scheme is administered by Life Insurance Corporation of India. The liability is determined based on the actuarial valuation using projected unit credit method.

Actuarial gains and losses, comprising of experience adjustments and the effects of changes in actuarial assumptions, are recognised immediately in the Profit and Loss Account as income or expense.

### 1.6 Foreign currency transactions:

Foreign currency transactions are recorded at the rate of exchange prevailing on the date of the respective transactions.

Monetary assets and liabilities denominated in foreign currency are converted at contracted/ year end rates as applicable.

Exchange differences arising on settlement/ conversion are adjusted to Profit and Loss Account except to the extent indicated in note 1.4.

Wherever forward contracts are entered into, the exchange difference is dealt with in the Profit and Loss Account over the period of the contracts. Realised gains or losses on cancellation of forward contracts are recognised in the Profit and Loss Account of the year in which they are cancelled.

### 1.7 Income tax:

Provision for current tax is made based on the liability computed in accordance with the relevant tax rates and tax laws. Deferred tax is accounted for by computing the tax effect of the timing differences which arise during the year and reverse out in the subsequent periods. Deferred tax is calculated at the tax rates enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognised only if there is a virtual certainty that they will be realised.

### 1.8 Research and Development:

Revenue expenditure on research and development is charged as an expense for the period in which it is incurred.

2. Information in respect of each class of goods manufactured:

| CLASS OF GOODS               | Installed capacity | Production    | Captive consumption/ samples etc | Opening stock | Opening stock value | Closing stock | Closing stock value |
|------------------------------|--------------------|---------------|----------------------------------|---------------|---------------------|---------------|---------------------|
|                              | MT                 | MT            | MT                               | MT            | Rs.Lacs             | MT            | Rs.Lacs             |
| 1. Caustic soda              | <b>113850</b>      | <b>99297</b>  | <b>3678</b>                      | <b>1006</b>   | <b>233</b>          | <b>2794</b>   | <b>356</b>          |
|                              | (113850)           | (99173)       | (4469)                           | (1847)        | (299)               | (1006)        | (233)               |
| 2. Chlorine                  | <b>100740</b>      | <b>88868</b>  | <b>88138</b>                     | <b>239</b>    | <b>7</b>            | <b>590</b>    | <b>33</b>           |
|                              | (100740)           | (87926)       | (86558)                          | (496)         | (11)                | (239)         | (7)                 |
| 3. Chloromethanes            | <b>34500</b>       | <b>29578</b>  | <b>3099</b>                      | <b>320</b>    | <b>39</b>           | <b>259</b>    | <b>52</b>           |
|                              | (34500)            | (32452)       | (2823)                           | (520)         | (75)                | (320)         | (39)                |
| 4. Trichloroethylene         | <b>5000</b>        | <b>-</b>      | <b>-</b>                         | <b>7</b>      | <b>4</b>            | <b>7</b>      | <b>4</b>            |
|                              | (5000)             | (213)         | (1)                              | (15)          | (8)                 | (7)           | (4)                 |
| 5. Polyvinyl chloride        | <b>234000</b>      | <b>136346</b> | <b>14312</b>                     | <b>383</b>    | <b>138</b>          | <b>13349</b>  | <b>7488</b>         |
|                              | (64000)            | (61297)       | (6394)                           | (32)          | (20)                | (383)         | (138)               |
| 6. Refrigerant gases         | <b>2500</b>        | <b>1792</b>   | <b>9</b>                         | <b>666</b>    | <b>466</b>          | <b>54</b>     | <b>62</b>           |
|                              | (2500)             | (1612)        | (43)                             | (557)         | (363)               | (666)         | (466)               |
| 7. Hydrogen gas              | <b>2846</b>        | <b>2482</b>   | <b>2377</b>                      | <b>-</b>      | <b>-</b>            | <b>-</b>      | <b>-</b>            |
|                              | (2846)             | (2479)        | (2388)                           | (-)           | (-)                 | (-)           | (-)                 |
| 8. Silicon wafers ('000 Nos) | <b>1200</b>        | <b>508</b>    | <b>-</b>                         | <b>6</b>      | <b>21</b>           | <b>159</b>    | <b>230</b>          |
|                              | (1200)             | (98)          | (-)                              | (-)           | (-)                 | (6)           | (21)                |
| 9. Ethyl silicate            | <b>600</b>         | <b>6</b>      | <b>-</b>                         | <b>8</b>      | <b>9</b>            | <b>-</b>      | <b>-</b>            |
|                              | (600)              | (109)         | (2)                              | (26)          | (28)                | (8)           | (9)                 |
| 10. Silicon tetrachloride    | <b>600</b>         | <b>-</b>      | <b>-</b>                         | <b>-</b>      | <b>-</b>            | <b>-</b>      | <b>-</b>            |
|                              | (600)              | (105)         | (116)                            | (11)          | (4)                 | (-)           | (-)                 |
| 11. Pipes                    | <b>56000</b>       | <b>15476</b>  | <b>379</b>                       | <b>951</b>    | <b>479</b>          | <b>2106</b>   | <b>1324</b>         |
|                              | (56000)            | (13923)       | (818)                            | (1170)        | (684)               | (951)         | (479)               |
| 12. Others #                 |                    |               |                                  |               | <b>24</b>           |               | <b>33</b>           |
|                              |                    |               |                                  |               | (73)                |               | (24)                |

(a) Licensed Capacity is not applicable to any of the goods manufactured by the company.

(b) Installed Capacities are as certified by the management.

(c) Figures for the previous year are shown in brackets.

# Comprising items which in value individually account for less than 10% of stock.

|                                   | 2009-10<br>Rs.Lacs | 2008-09<br>Rs.Lacs |
|-----------------------------------|--------------------|--------------------|
| 3. Value of Imports on CIF basis: |                    |                    |
| Raw materials/ Intermediates      | <b>53449.11</b>    | 16868.21           |
| Components and spare parts        | <b>599.88</b>      | 384.13             |
| Capital goods                     | <b>43.88</b>       | 4082.43            |
|                                   | <b>54092.87</b>    | 21334.77           |

## Chemplast Sanmar Limited

|  | 2009-10<br>Rs.Lacs | 2008-09<br>Rs.Lacs |
|--|--------------------|--------------------|
| 4. Expenditure in foreign currency (on payment basis): |                    |                    |
| Commission   | 1.94               | 1.51               |
| Travelling   | 19.19              | 23.69              |
| Interest   | 700.42             | 995.09             |
| Royalty  | –                  | 14.72              |
| Others   | 194.36             | 487.97             |
|  | <b>915.91</b>      | <b>1522.98</b>     |

### 5. Value of raw materials and purchased intermediates consumed:

#### (a) Raw materials/ Purchased intermediates:

|                  | 2009-10<br>Rs.<br>Lacs | % of<br>Consumption | 2008-09<br>Rs.<br>Lacs | % of<br>Consumption |
|------------------|------------------------|---------------------|------------------------|---------------------|
| Imported - C I F | 41814.77               | 71%                 | 15168.93               | 52%                 |
| - Duty etc.      | 7502.86                | 13%                 | 4359.25                | 15%                 |
| Indigenous       | 9549.01                | 16%                 | 9449.00                | 33%                 |
|                  | <b>58866.64</b>        | <b>100%</b>         | <b>28977.18</b>        | <b>100%</b>         |

#### (b) Consumption of raw materials and purchased intermediates:

|                        | 2009-10<br>Quantity<br>MT | Amount<br>Rs.Lacs | 2008-09<br>Quantity<br>MT | Amount<br>Rs.Lacs |
|------------------------|---------------------------|-------------------|---------------------------|-------------------|
| Molasses               | 12146                     | 500.79            | 33684                     | 884.78            |
| Alcohol (KL)           | 2837                      | 476.66            | 9952                      | 1873.57           |
| Calcium carbide        | –                         | –                 | 84                        | 23.92             |
| Ethylene di chloride   | 5970                      | 1085.61           | 19421                     | 2118.68           |
| Methanol               | 10175                     | 1225.06           | 11167                     | 1819.27           |
| PVC resins             | 14132                     | 6482.03           | 6331                      | 3792.27           |
| Polysilicon (Kgs)      | 1130                      | 224.28            | 20900                     | 971.22            |
| Ethylene               | 21671                     | 11837.61          | 19391                     | 10342.90          |
| Vinyl Chloride Monomer | 84031                     | 34309.81          | –                         | –                 |
| Salt                   | 78023                     | 1384.37           | 107608                    | 2563.08           |
| Other raw materials *  |                           | 1340.42           |                           | 4587.49           |
|                        |                           | <b>58866.64</b>   |                           | <b>28977.18</b>   |

\* Comprising items which in value individually account for less than 10% of materials consumed.

6. Value of stores and spare parts consumed:

|            | 2009-10        |                     | 2008-09        |                     |
|------------|----------------|---------------------|----------------|---------------------|
|            | Rs.<br>Lacs    | % of<br>Consumption | Rs.<br>Lacs    | % of<br>Consumption |
| Imported   | 441.61         | 19%                 | 346.02         | 16%                 |
| Indigenous | 1836.75        | 81%                 | 1860.11        | 84%                 |
|            | <u>2278.36</u> | <u>100%</u>         | <u>2206.13</u> | <u>100%</u>         |

|  | 2009-10<br>Rs.Lacs | 2008-09<br>Rs.Lacs |
|--|--------------------|--------------------|
| 7. Earnings in foreign exchange:                       |                    |                    |
| FOB Value of exports                                   | 1405.34            | 2879.09            |
| Income from Certified Emission Reduction (CER)         | 4553.40            | 4621.43            |
|  | <u>5958.74</u>     | <u>7500.52</u>     |
| 8. Directors' remuneration for the year:               |                    |                    |
| Salary and allowances                                  | 103.55             | 143.88             |
| Gratuity and contribution to provident and other funds | 9.18               | 10.96              |
| Perquisites  | 0.10               | 0.09               |
|  | <u>112.83</u>      | <u>154.93</u>      |
| 9. Amounts paid/ payable to Auditors:                  |                    |                    |
| For statutory audit                                    | 23.00              | 23.00              |
| For tax audit  | 3.00               | 3.00               |
| For certification etc.                                 | 11.00              | 11.00              |
| Expenses reimbursed                                    | 0.90               | 0.72               |
|  | <u>37.90</u>       | <u>37.72</u>       |
| 10. Sitting fees paid to Directors                     | 4.61               | 3.92               |

11. Security particulars:

- A. Term loans from banks and others aggregating to Rs.75385.59 Lacs and Rs.8250.00 Lacs respectively are secured by first pari passu charge on land, buildings and plant and machinery of the company subject to exclusive charge on assets referred to in B below.
- B. Term loans from banks aggregating to Rs.22625.00 Lacs is secured by equitable mortgage of specific land and buildings. Term loan from banks Rs.5000 Lacs is secured by second charge of specific land and buildings.
- C. Term loans from banks aggregating to Rs.7923.16 Lacs is secured by hypothecation of Certified Emission Reduction (CER) receivables.
- D. Cash credit from banks are secured by a first pari passu charge on inventories and book debts.

## Chemplast Sanmar Limited

### 12. Details of investments:

|   | Face value<br>per share<br>Rs. | 31.03.2010<br>No. of<br>shares | Amount<br>Rs.Lacs | Face value<br>per share<br>Rs. | 31.03.2009<br>No. of<br>shares | Amount<br>Rs.Lacs |
|---|--------------------------------|--------------------------------|-------------------|--------------------------------|--------------------------------|-------------------|
|   |                                |                                |                   |                                |                                |                   |
| A. Investment in shares of a body corporate (unquoted)<br>Fully paid up equity shares |                                |                                |                   |                                |                                |                   |
| Sai Regency Power Corporation Private Limited   | 10                             | 3,75,000                       | 37.50             | 10                             | 16,50,000                      | 165.00            |
| B. Investment in capital of a Partnership firm:– Cathedral Corporate Finance          |                                |                                |                   |                                |                                |                   |
| Partners' Name  | Profit sharing ratio           | Amount<br>Rs.                  |                   |                                |                                |                   |
| BS&B Safety Systems (India) Limited   | Profits are shared             | 100                            |                   |                                |                                |                   |
| Cabot Sanmar Limited  | by partners with               | 100                            |                   |                                |                                |                   |
| Chemplast Sanmar Limited  | positive aggregate             | 100                            |                   |                                |                                |                   |
| Fisher Sanmar Limited   | daily balances in              | 100                            |                   |                                |                                |                   |
| Flowserve Sanmar Limited  | the proportion                 | 100                            |                   |                                |                                |                   |
| Sanmar Engineering Services Limited   | of such                        | 100                            |                   |                                |                                |                   |
| Sanmar Foundries Limited  | balances.                      | 100                            |                   |                                |                                |                   |
| Sanmar Group International Limited  | Losses                         | 100                            |                   |                                |                                |                   |
| Sanmar Shipping Limited   | are shared                     | 100                            |                   |                                |                                |                   |
| Sanmar Speciality Chemicals Limited   | equally by                     | 100                            |                   |                                |                                |                   |
| Tyco Sanmar Limited   | partners.                      | 100                            |                   |                                |                                |                   |
| Xomox Sanmar Limited  |                                | 100                            |                   |                                |                                |                   |
|   |                                | <u>1,200</u>                   |                   |                                |                                |                   |
| C. Investment in Government Securities  |                                |                                |                   |                                |                                |                   |
| National Defence/ savings certificate   |                                |                                | 0.23              |                                |                                | 0.23              |
|   |                                |                                | <u>37.73</u>      |                                |                                | <u>165.23</u>     |

|  | 31.03.2010<br>Rs.Lacs | 31.03.2009<br>Rs.Lacs |
|--|-----------------------|-----------------------|
| 13. Contingent liabilities:  |                       |                       |
| (a) Claims against the company not acknowledged as debts   | 1985.27               | 1894.58               |
| (b) In respect of guarantees to banks for loans/ obligations granted by them to an associate company.            | 15715.00              | 17759.00              |
| 14. Capital commitments:   |                       |                       |
| Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) | 993.00                | 6287.00               |



15. Miscellaneous expenditure:  
Miscellaneous expenditure to the extent not written off or adjusted represents unamortised balance of ancillary costs related to borrowings, which is being amortised over the currency of the borrowing commencing from the first withdrawal of the amount borrowed.
16. Montreal Protocol compensation:  
The company is eligible to receive compensation from Multilateral Fund under the Montreal Protocol for phasing out the production of Chlorofluorocarbons and supply of Carbon Tetra Chloride to non feed stock sector. The aforesaid compensation is received in periodic instalments subject to meeting certain conditions stipulated in the Protocol and accordingly the compensation is accounted only after complying with such conditions and ensuring that there is no uncertainty in this regard. Following this practice compensation received during the year alone has been accounted and shown under Other Income.
17. Income from Certified Emission Reduction (CER):  
The company is entitled to receive Carbon Credits towards CER from United Nations Framework Convention for Climate Change (UNFCCC).  
Income from CER is reckoned when the company is entitled to such credits, which occurs
- on incineration of HFC 23 at Mettur
  - on production of steam from Waste Heat Recovery Boiler at Karaikal
18. Exceptional item net of tax - Rs.3572.11 Lacs (before tax Rs.5214.11 Lacs) - relates to Asset impairment provisions of Rs.2141.01 Lacs for the LSHS based Power Generation Plant decommissioned consequent on commissioning of the Coal based Power Plant, and Rs.1431.10 Lacs being the value of the Metkem Silicon Plant which has been mothballed pending revival of the price of the end product.

|  | 31.03.2010<br>Rs.Lacs | 31.03.2009<br>Rs.Lacs |
|--|-----------------------|-----------------------|
| 19. Deferred taxation:   |                       |                       |
| Net Deferred Tax Liability/ (Asset) is on account of:                            |                       |                       |
| – Difference between book and tax written down value of depreciable fixed assets | 12571.98              | 8156.00               |
| – Unabsorbed Depreciation/ Impairment  | (12599.70)            | (4013.00)             |
| – Unabsorbed Business Loss   | (3506.86)             | (1566.00)             |
| – Others   | (941.42)              | (1220.00)             |
|  | <u>(4476.00)</u>      | <u>1357.00</u>        |

20. Dues to micro, small and medium enterprises:  
As at March 31, 2010, there is no interest payable to micro, small and medium enterprises as defined under The Micro, Small and Medium Enterprises Act, 2006. This information and that disclosed in Schedule 19 have been determined to the extent such parties have been identified on the basis of information available with the company.

## Chemplast Sanmar Limited

|  | 2009-10<br>Rs.Lacs  | 2008-09<br>Rs.Lacs |
|--|---------------------|--------------------|
| 21. Foreign exchange contracts:  |                     |                    |
| Exchange difference (debit) deferred to be recognised in subsequent accounting period in respect of forward exchange contracts   | 11.05               | 23.97              |
| 22. Borrowing and other costs capitalised:   |                     |                    |
| Interest on fixed loans  | 3276.21             | 4440.96            |
| Salaries, wages and bonus  | 172.28              | 216.34             |
| Contribution to provident and other funds  | 6.36                | 9.69               |
| Power and fuel   | 846.70              | 183.20             |
| Exchange difference  | 8.27                | (169.64)           |
| Other direct expenses  | 875.67              | 600.80             |
|  | <b>5185.49</b>      | <b>5281.35</b>     |
| 23. Earnings per share:  |                     |                    |
| Profit/ (Loss) after tax   | (12815.10)          | (6659.66)          |
| Reversal/ (Provision) for income tax relating to earlier years   | (1.31)              | (1.64)             |
|  | <b>(12816.41)</b>   | <b>(6661.30)</b>   |
| Weighted average number of equity shares outstanding   | <b>79,96,98,527</b> | 47,98,19,440       |
| Earnings per share (In rupees)   | <b>(1.60)</b>       | (1.39)             |
| (Nominal value - Re.1 per share)   |                     |                    |
| 24. The company is principally engaged in a single business segment viz, Chemicals and operates in one geographical segment. Accordingly there are no separate reportable segments as per Accounting Standard 17 on "Segment Reporting". |                     |                    |

25. Disclosure as per AS15 revised - Defined Benefit Plans

|   | 2009-10<br>Rs.Lacs | 2008-09<br>Rs.Lacs |
|---|--------------------|--------------------|
|   | <b>Gratuity</b>    |                    |
| <b>Present value of obligation at the beginning of the year</b> | <b>1609.65</b>     | 1584.42            |
| Interest cost   | <b>128.77</b>      | 118.78             |
| Current service cost  | <b>102.78</b>      | 98.90              |
| Benefits paid   | <b>(144.05)</b>    | (199.20)           |
| Actuarial (gain)/ loss on obligation                            | <b>0.85</b>        | 6.75               |
| <b>Present value of obligation at the end of the year</b>       | <b>1698.00</b>     | 1609.65            |
| <b>Fair value of plan assets at the beginning of the year</b>   | <b>1156.59</b>     | 1102.49            |
| Expected return on plan assets                                  | <b>102.59</b>      | 87.08              |
| Contributions   | <b>598.12</b>      | 170.05             |
| Benefits paid   | <b>(144.05)</b>    | (199.20)           |
| Actuarial gain/ (loss) on plan assets                           | <b>(5.00)</b>      | (3.83)             |
| <b>Fair value of plan assets at the end of the year</b>         | <b>1708.25</b>     | 1156.59            |
| <b>Amounts recognised in the Balance Sheet</b>                  |                    |                    |
| Present value of obligation as at the end of the year           | <b>1698.00</b>     | 1609.65            |
| Fair value of plan assets at the end of the year                | <b>1708.25</b>     | 1156.59            |
| <b>Funded status of the plan - (asset)/ liability</b>           | <b>(10.25)</b>     | 453.06             |
| <b>Amounts recognised in the statement of Profit and Loss</b>   |                    |                    |
| Current service cost  | <b>102.78</b>      | 98.90              |
| Interest cost   | <b>128.77</b>      | 118.78             |
| Expected return on plan assets                                  | <b>(102.59)</b>    | (87.08)            |
| Net actuarial (gain)/ loss recognised in the year               | <b>5.85</b>        | 10.58              |
| <b>Expenses recognised in the statement of Profit and Loss</b>  | <b>134.81</b>      | 141.18             |
| <b>Principal actuarial assumptions</b>                          |                    |                    |
| Discount rate   | <b>8.00%</b>       | 8.00%              |
| Salary escalation   | <b>8.00%</b>       | 8.00%              |
| Expected return on plan assets                                  | <b>8.00%</b>       | 8.00%              |
| Attrition rate  | <b>1% - 3%</b>     | 1% - 3%            |

## Chemplast Sanmar Limited

### 26. Related party transaction:

#### (a) List of parties where control exists

Sanmar Holdings Limited

Holding company

#### (b) Associates/ Fellow Subsidiaries

BS&B Safety Systems (India) Limited

Sanmar Shipping Limited

Cabot Sanmar Limited

Sanmar Speciality Chemicals Limited

Cathedral Corporate Finance

SHL Property Holdings Limited

Fisher Sanmar Limited

TCI Sanmar Chemicals LLC

Flowserve Sanmar Limited

Sanmar Ferrotech Limited

Kalamkriya Limited

Tyco Sanmar Limited

Sanmar Foundries Limited

Xomox Sanmar Limited

Sanmar Group Corporate Finance

Stargate Realty Private Limited

Bangalore Genei (India) Private Limited

#### (c) Key Management Personnel

P S Jayaraman, Chairman

S Gopal, Managing Director

V Ramesh, Deputy Managing Director (part of the year)

#### (d) List of transactions with related parties

Rs.Lacs

| Description                             | Parties where control exists |         | Associates/ Fellow Subsidiaries |          | Key Management Personnel |         |
|---|------------------------------|---------|---------------------------------|----------|--------------------------|---------|
|   | 2009-10                      | 2008-09 | 2009-10                         | 2008-09  | 2009-10                  | 2008-09 |
| Transactions during the year            |                              |         |                                 |          |                          |         |
| Purchases                               |                              |         |                                 |          |                          |         |
| Fisher Sanmar Limited                   |                              |         | 35.78                           | 51.21    |                          |         |
| Flowserve Sanmar Limited                |                              |         | 77.96                           | 48.57    |                          |         |
| Xomox Sanmar Limited                    |                              |         | 18.90                           | 58.51    |                          |         |
| Kalamkriya Limited                      |                              |         | 42.71                           | 43.52    |                          |         |
| Others                                  |                              |         | 15.52                           | 40.13    |                          |         |
| Total                                   |                              |         | 190.87                          | 241.94   |                          |         |
| Sales                                   |                              |         |                                 |          |                          |         |
| Cabot Sanmar Limited                    |                              |         | 779.91                          | 739.04   |                          |         |
| Sanmar Foundries Limited                |                              |         | 192.00                          | 50.58    |                          |         |
| Sanmar Speciality Chemicals Limited     |                              |         | 140.19                          | 146.58   |                          |         |
| Total                                   |                              |         | 1112.10                         | 936.20   |                          |         |
| Share of income from partnership firm   |                              |         |                                 |          |                          |         |
| Cathedral Corporate Finance             |                              |         | 8.75                            | 91.90    |                          |         |
| Investment and redemption of investment |                              |         |                                 |          |                          |         |
| Cathedral Corporate Finance             |                              |         | 10.00                           | 20700.00 |                          |         |
| Bills Discounting received and repaid   |                              |         |                                 |          |                          |         |
| Sanmar Group Corporate Finance          |                              |         | –                               | 5000.00  |                          |         |

Rs.Lacs

| Description                             | Parties where control exists |          | Associates/ Fellow Subsidiaries |         | Key Management Personnel |         |
|---|------------------------------|----------|---------------------------------|---------|--------------------------|---------|
|   | 2009-10                      | 2008-09  | 2009-10                         | 2008-09 | 2009-10                  | 2008-09 |
| Expenses Paid                           |                              |          |                                 |         |                          |         |
| Sanmar Foundries Limited                |                              |          | 9.20                            | 12.25   |                          |         |
| Tyco Sanmar Limited                     |                              |          | 2.84                            | –       |                          |         |
| Others                                  |                              |          | 1.15                            | –       |                          |         |
| Total                                   |                              |          | 13.19                           | 12.25   |                          |         |
| Expenses Recovered                      |                              |          |                                 |         |                          |         |
| Fisher Sanmar Limited                   |                              |          | 6.40                            | 8.16    |                          |         |
| Flowserve Sanmar Limited                |                              |          | 3.68                            | 4.84    |                          |         |
| Sanmar Speciality Chemicals Limited     |                              |          | 5.96                            | 10.16   |                          |         |
| Sanmar Shipping Limited                 |                              |          | 0.94                            | 3.52    |                          |         |
| Others                                  |                              |          | 8.48                            | 13.28   |                          |         |
| Total                                   |                              |          | 25.46                           | 39.96   |                          |         |
| Rent Received                           |                              |          |                                 |         |                          |         |
| Cabot Sanmar Limited                    |                              |          | 10.00                           | 10.96   |                          |         |
| Sanmar Shipping Limited                 |                              |          | –                               | 21.51   |                          |         |
| Sanmar Speciality Chemicals Limited     |                              |          | –                               | 10.75   |                          |         |
| Fisher Sanmar Ltd                       |                              |          | –                               | 21.51   |                          |         |
| Total                                   |                              |          | 10.00                           | 64.73   |                          |         |
| Rent Paid                               |                              |          |                                 |         |                          |         |
| SHL Property Holdings Limited           |                              |          | 526.96                          | 500.38  |                          |         |
| Others                                  |                              |          | 51.65                           | 35.81   |                          |         |
| Total                                   |                              |          | 578.61                          | 536.19  |                          |         |
| Finance Charges Paid                    |                              |          |                                 |         |                          |         |
| Sanmar Group Corporate Finance          |                              |          | –                               | 6.16    |                          |         |
| Purchase of Asset                       |                              |          |                                 |         |                          |         |
| SHL Property Holdings Limited           |                              |          | 30.56                           | –       |                          |         |
| Purchase of Land                        |                              |          |                                 |         |                          |         |
| Xomox Sanmar Limited                    |                              |          | 50.66                           | –       |                          |         |
| Rent Deposit                            |                              |          |                                 |         |                          |         |
| SHL Property Holdings Limited           |                              |          | 37.75                           | –       |                          |         |
| Refund of Deposit                       |                              |          |                                 |         |                          |         |
| Sanmar Shipping Limited                 |                              |          | 3.50                            | –       |                          |         |
| Refund of Advance Against Share Capital |                              |          |                                 |         |                          |         |
| Sanmar Holdings Limited                 | 4.51                         | –        |                                 |         |                          |         |
| Remuneration                            |                              |          |                                 |         |                          |         |
| P S Jayaraman                           |                              |          |                                 |         | 53.04                    | 58.28   |
| S Gopal                                 |                              |          |                                 |         | 51.53                    | 52.97   |
| V Ramesh                                |                              |          |                                 |         | 8.26                     | 43.68   |
| Balances as on 31.03.2010               |                              |          |                                 |         |                          |         |
| Advance towards rights entitlement      | –                            | 12000.00 |                                 |         |                          |         |
| Loans and Advances                      |                              |          | 376.92                          | 389.17  |                          |         |
| Deposits Received                       |                              |          | –                               | 4.00    |                          |         |
| Sundry Debtors                          |                              |          | 34.85                           | 40.13   |                          |         |
| Sundry Creditors                        |                              |          | 74.07                           | 72.44   |                          |         |

## Chemplast Sanmar Limited

27. During the year, to part finance the company's PVC project at Cuddalore, the company issued equity shares of Re.1 each at a premium of Rs.4 per share on rights basis, in the ratio of 2 equity shares for every 3 shares, aggregating to Rs.159.94 crores. The issue closed on April 13, 2009 was fully subscribed and allotment of 31,98,79,087 equity shares of Re.1 each was made on April 27, 2009. The paid up capital of the company post allotment is 79,96,98,527 equity shares of Re.1 each.

28. Previous year's figures have been regrouped wherever necessary.

(Signatories to Schedules 1 to 21)

For PRICE WATERHOUSE & CO  
Firm Registration Number: 007567S  
Chartered Accountants

P.S. JAYARAMAN  
Chairman

S. GOPAL  
Managing Director

S DATTA  
Partner  
Membership No.F14128  
Chennai  
April 30, 2010

M. RAMAN  
Secretary

M.K. KUMAR  
S.V. MONY  
V.K. PARTHASARATHY  
V. RAMESH  
Directors

29. Balance Sheet abstract and company's general business profile

### I Registration Details

Registration No.

11637

State Code 18

Balance Sheet Date

31-03-2010

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

Public Issue

—

Rights Issue

319880

Bonus Issue

—

Private Placement

—

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

Total Liabilities

14613963

Total Assets

14613963

Sources of Funds

Paid up Capital

799699

Reserves and Surplus

1864678

Secured Loans

11949586

Unsecured Loans

—

Application of Funds    Net Fixed Assets

14673629

Deferred Tax Asset (Net)

447600

Misc. Expenditure

49638

Investments

3773

Net Current Assets

-1058764

Accumulated Losses

498087

IV Performance of the company (Amount in Rs.Thousands)

Turnover (including other income)

9850093

+/- Profit/ Loss Before Tax

- 1864810

Earning per equity share in Rs.

-1.60

Total Expenditure

11714903

+/- Profit/ Loss After Tax

- 1281641

Dividend Rate %

-

V Generic Names of Three Principal Products/ Services of company  
(As per monetary terms)

Item Code No. (ITC Code) 390410

Product Description PVC resins

Item Code No. (ITC Code) 290311

Product Description Chloromethanes

Item Code No. (ITC Code) 291510

Product Description Caustic soda

P.S. JAYARAMAN  
Chairman

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Managing Director

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Directors

Chennai  
April 30, 2010

M. RAMAN  
Secretary

## Chemplast Sanmar Limited

### Cash Flow Statement for the year ended March 31, 2010

|  | 2009-10<br>Rs.Lacs | 2008-09<br>Rs.Lacs |
|--|--------------------|--------------------|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>                           |                    |                    |
| NET PROFIT/ (LOSS) AFTER EXCEPTIONAL ITEMS AND BEFORE TAX                | (18648.10)         | (9906.66)          |
| Adjustments for:   |                    |                    |
| Add: Depreciation  | 12851.46           | 5396.04            |
| Interest and finance charges   | 12781.51           | 7649.71            |
|  | 6984.87            | 3139.09            |
| Less: Profit on sale of assets/ Investments (Net)                        | 19.43              | 31.63              |
| Interest/ share of profit  | 320.98             | 192.53             |
| <b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>                   | <b>6644.46</b>     | <b>2914.93</b>     |
| Adjustments for changes in   |                    |                    |
| Trade and other receivables  | (9852.51)          | (2746.68)          |
| Inventories  | (10441.46)         | (4492.11)          |
| Trade and other payables   | 41675.59           | 9389.19            |
| <b>CASH GENERATED FROM OPERATIONS</b>                                    | <b>28026.08</b>    | <b>5065.33</b>     |
| Direct taxes paid (Net)  | (266.45)           | (104.66)           |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>                                | <b>27759.63</b>    | <b>4960.67</b>     |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>                           |                    |                    |
| Purchase of fixed assets   | (14587.00)         | (33842.35)         |
| Sale of investments  | 127.50             | —                  |
| Sale of fixed assets   | 19.43              | 65.47              |
| Interest received/ share of profit                                       | 142.72             | 148.54             |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>                             | <b>(14297.35)</b>  | <b>(33628.34)</b>  |
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>                           |                    |                    |
| Advance received towards rights entitlement                              | 3823.73            | —                  |
| Proceeds from long term borrowings                                       | 22100.00           | 45300.00           |
| Repayment of long term borrowings  | (15255.36)         | (6971.91)          |
| Proceeds/ (Repayment) of short term borrowings (Net)                     | (11797.89)         | 1372.80            |
| Interest and finance charges paid  | (12751.18)         | (7824.56)          |
| <b>NET CASH (USED IN)/ FROM FINANCING ACTIVITIES</b>                     | <b>(13880.70)</b>  | <b>31876.33</b>    |
| <b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C)</b> | <b>(418.42)</b>    | <b>3208.66</b>     |
| Cash and cash equivalents at the beginning of the year                   | 3836.57**          | 627.91             |
| Cash and cash equivalents at the end of the year                         | 3418.15**          | 3836.57**          |
|  | (418.42)           | 3208.66            |

Note: Figures in brackets indicate cash outflow

\*\* Includes margin money deposit of Rs.1994.41 Lacs

This is the Cash Flow Statement referred to in our report of even date.

For PRICE WATERHOUSE & CO  
Firm Registration Number: 007567S  
Chartered Accountants

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V. RAMESH  
Directors





## Chemplast Sanmar Limited

Registered Office: 9, Cathedral Road, Chennai 600 086

### ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP BEFORE YOU COME TO THE MEETING AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.

1. Name of the attending member .....  
(In Block Letters)
2. Register Folio No./ Client ID No.: ..... D.P. ID No.: .....
3. Name of Proxy (In Block Letters) .....  
(To be filled if the Proxy  
attends instead of the member)

No. of Shares held .....

I hereby record my presence at the Twenty Sixth Annual General Meeting at Sathguru Gnanananda Hall, Narada Gana Sabha Trust Complex, 314, T.T.K. Road, Chennai - 600 018 on Tuesday, the 27th July 2010 at 10.00 a.m.

.....  
Member's/ Proxy's Signature



## Chemplast Sanmar Limited

Registered Office: 9, Cathedral Road, Chennai 600 086

### PROXY FORM

I/ We.....of.....  
being a member/ members of CHEMPLAST SANMAR LIMITED do hereby appoint .....  
.....of.....(or failing him  
.....of.....)  
as my/ our proxy and to vote for me/ us on my/ our behalf at the Annual General Meeting of the company to be held  
on Tuesday, the 27th July 2010 at 10.00 a.m. and at any adjournment thereof.

Signed this .....day of ..... 2010

Signature .....

Folio Number/ Client ID No.: .....

D.P. ID No.: .....

Affix  
15 P.  
Revenue  
Stamp

Note: The proxy form duly completed must be returned so as to reach the Registered Office of the company not less than 48 hours before the time for holding the aforesaid meeting. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, and vote on a poll instead of himself and the proxy need not be a member.





Book-Post

If undelivered please return to:  
Chemplast Sanmar Limited  
9 Cathedral Road  
Chennai 600 086