



DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Forty-ninth Annual Report together with the audited accounts for the year ended March 31, 2009.

1. FINANCIAL RESULTS:

In spite of the challenging market scenario as a result of the slow down and global recession, the Company was able to achieve reasonable growth in the sales turnover, of 10.5% against the last year.

Operational Performance	2009 (Rs. in millions)	2008 (Rs. in millions)
Sales	572.60	518.17
PBDIT (including exceptional items)	97.81	39.5
EPS (Rs.)	11.36	2.09
Book Value of Shares (Rs.)	73.28	64.14

2. DIVIDEND:

The Directors have recommended a dividend of Rs. 1.20/- per equity share and a special dividend of Re. 0.70/- per equity share (in view of exceptional income received during the year), aggregating to Rs. 1.90/- per equity share, having face value of Rs. 10/- each, for the year ended 31st March 2009. The dividend payout will aggregate to Rs. 144.45 lacs and the tax on distributable profits payable by the Company would amount to Rs. 24.55 lacs.

3. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

INDUSTRY STRUCTURE & DEVELOPMENT: OPPORTUNITIES AND THREATS, RISKS AND CONCERNS

The Company's products fall in one Reportable Business Segment, viz. Specialty Chemicals.

The Indian Chemical Industry contributes in great part to the industrial and economic growth of the country. In fact it is considered one of the fastest growing Industries in India, in spite of its highly fragmented nature. From U.S. \$. 30 Billion in 2005, the Indian Chemical Industry is worth U.S. \$. 43 Billion today.

The Indian Specialty Chemical Industry meets the diversified needs and demands of a growing society, and is estimated to be around U.S. \$. 12 Billion.

Presently due to the global melt down, the Chemical Industry worldwide is passing through a recessionary trend. However, it is believed that the slow down may not impact the Indian demand for too long. The Indian market is huge and still underdeveloped. In addition, due to our low cost labour and R&D and technical skills, there are opportunities in the global markets, that are looking at cheaper sources to fight the recessionary trend.

However, in spite of the fact that the Specialty Chemical Industry is knowledge-intensive and extremely dependent on innovative performance based solutions, it is facing serious cost pressures, and profit margins remain under pressure.

With crude prices having reached unprecedented highs in mid 2008 the Industry faced serious price volatility of feed stocks resulting in demand being impacted, and a build up of inventories.

Subsequently the sudden fall in crude oil prices resulted in a huge correction in petrochemical prices. The resulting situation from earlier inventory build ups and reduction of global demand has adversely impacted the operational results of the Company in the third Quarter. However, the Company's continued emphasis on service and customer focus, and its insistence on quality first, resulted in renewed business in the last quarter of the year.

Sector-wise Performance Outlook:

The Company's focus continues in the areas of Textiles, Paints, Oil Field and Paper Sectors. Though the Textile Sector has shown slower growth resulting from reduction in textile exports (on account of lowered demand from Europe and the U.S.) the Company has managed to grow by 45% in this area. This is mainly on account of introduction of newer value added products in the market and investment in focused manpower for this area.

The Spin Finish business, which is the Company's core strength, saw a surge and was greatly enabled by the falling rupee that restricted imports, especially from Japan where the Yen remained strong. The Company has now established its products with all the major Polyester Plants in the country.

The Company has focused on its distributorship with a multinational Coatings Company and is hopeful to achieve volume business in the area of Technical Textiles.

In the area of Paints, the Company has added new customers from the organized sector, and the initial set back faced in the first half of the year has been partially made up in the last Quarter. The Company consolidated its market share in the Domestic Pigment Dispersion Industry & has started exporting products developed for this industry.

Besides coatings, the Company ventured into the growing construction industry by launching admixture for ready-mix concrete. The initial product trials are promising & some consolidation is expected in the coming year.

Flow improvers for automotive lubricants will be a focus area for exports in the coming year.

In the Oil Field Chemicals, the Company continues to support its subsidiary with innovative performance based solutions based on the changing nature of the customers' requirements.

Exports continued to grow in spite of the global recession due to the Company's focus on niche Specialty business, in addition to the softening of the Rupee. Exports have doubled in 2008-09.

Financials:

The Company has no long term borrowings and is now a zero debt company having paid back Rs. 393.82 lacs in working capital debt to the Banks.

Funds which are surplus to the operational needs of the Company have been invested after advice and consideration in safe debt instruments with reasonable returns.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The Company has an adequate system of internal controls in all business spheres of its activities which are commensurate with the size and the nature of its business. It ensures adequate protection of the Company's resources, provision of accurate and speedy financial statements and reports, and compliance with the Company policies and procedures and other statutory and legal obligations. The internal control is supplemented by effective and independent internal audit being carried out by M/s. B. K. Khare & Co., Chartered Accountants. The Management regularly reviews the findings of the Internal Auditors and effective steps to implement any suggestions/observations of the Internal Auditors are taken and mentioned regularly. In addition, the Audit Committee of the Board regularly addresses significant issues raised by the Internal and the Statutory Auditors.



MATERIAL DEVELOPMENTS ON HUMAN RESOURCES/INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED:

The Company believes that motivated employees are the most important resource for the Company to attain business growth and retain customers. Development and harmonization of the knowledge and skills of the employees have gone a long way in fulfilling the organizational goal of delivering the best value to the Customers and honouring the mission of optimizing the performance of our customers processes – time and time again.

Cordial relations were maintained throughout the year. The Company has initiated many steps in the career and personality development of the employees belonging to different departments. The employees attend various seminars /workshops to enhance their skills and knowledge.

As on 31st March 2009, the total number of employees on the payrolls of the Company at all the locations was 268.

CAUTIONARY NOTE:

Certain statements in the Management and Discussion Analysis Section may be forward looking and are stated as required by applicable laws and regulations. Many factors may affect the actual results, which could be different from what the Directors envisage in terms of future performance and outlook.

4. BUY BACK OF EQUITY SHARES:

The Board of Directors of the Company at its meeting held on 28th April 2009 had approved buy back upto 5,90,000 of its fully paid-up equity shares of the face value of Rs. 10/- each at a price not exceeding Rs. 36/- per Equity Share payable in cash, for an aggregate amount not exceeding Rs. 212.40 lacs being 4.42% of the aggregate of the Company's total paid-up equity capital and free reserves of Rs. 4,802 lacs as on March 31, 2008 . The minimum number of Equity Shares which would be bought back under the Buyback is 2,25,000.

The Buyback commenced from 25th May 2009. Upto 29th June 2009, the Company had bought back 12,603 equity shares from open market through Stock Exchange at an average price of Rs. 34.06/- per share.

5. SUBSIDIARY COMPANIES:

- (i) Basic Oil Treating (India) Ltd. (formerly known as Baker Oil Treating (India) Ltd.) – Wholly owned subsidiary

On 18th February 2009, the Joint Venture of the Company with Baker Production Services (UK) Ltd., (BPS) in relation to its Subsidiary Company, Baker Oil Treating (India) Ltd. (BOTI) was terminated by mutual consent.

As per consent terms dtd. 18th February 2009 between the Company and BPS. and Ors., BOTI has become a wholly owned subsidiary of the Company and the name of BOTI was changed to Basic Oil Treating (India) Ltd. w.e.f. 22nd May 2009.

The Company has received a sum of US\$ 1.25 million as per the said consent terms. Further sum of US\$ 0.25 million is receivable on account of change in the name of the Company by deleting reference to the word 'Baker'.

- (ii) As required under Section 212 of the Companies Act 1956, the audited statements of accounts alongwith the report of the Board of Directors of the Company's subsidiaries, Basic Oil Treating (India) Ltd. and Dai-Ichi Gosei Chemicals (India) Limited and respective Auditor's Report thereon for the year ended March 31, 2009 are annexed.