

35th Annual Report
January-December 2007

LANXESS ABS Limited



Board of Directors	Dr. Hans J Kogelnik	Chairman
	Mr. R S Agrawal	Managing Director
	Mr. S M Kulkarni	Director
	Mr. K R V Subrahmanian	Director
	Mr. Venkatesh Sankaran	Director
	Dr. Joerg Strassburger	Director
	Mr. Vishal R Agrawal	Director
	Mr. Jal R Patel	Director
VP (Finance) / Chief Financial Officer	Mr. D. J. Shah	
Company Secretary & VP (Legal)	Mr. S. M. Vaishnav	
Statutory Auditors	M/s. Price Waterhouse, Mumbai	
Bankers	State Bank of India ICICI Bank Standard Chartered Bank ABN Amro Bank	
Registered Office	6th Floor, ABS Towers, Old Padra Road, Vadodara - 390 007. Phones : 0265-2355861-63, 2355871-73. Fax : 0265-2341012, 2355860, 2355950, 2355960.	
Works	51, GIDC Industrial Estate, Nandesari - 391 340 Dist. Baroda Phones : 0265-2840319, 2840285, 2840559, 2841010 Fax : 0265- 2840827	
Katol Plant	Halol-Kalol Road, Katol -389 330 , Taluka Kalol, Dist. Panchmahal, Gujarat Phones : 02676-235980, 235891, 235802, 235803. Fax : 02676 - 235518	
Delhi Office	8-A, Gopala Tower, 25-Rajendra Place New Delhi - 110 008 Phones : 011-25712650, 25729515, 25712727 Fax : 011-25756494	
Mumbai Office	C/o LANXESS India Pvt. Limited, Thane-Kolshet road Thane, Mumbai - 400 607 Phones : 022-25311175-76, Fax : 022-25455072	
Bangalore Office	Unit 4 & 5, 2nd floor, Above Big Kids Kemp, Ramanashree Arcade No. 18, M. G. Road, Bangalore - 560 001 Phones : 080-25596516, 25525285 Fax : 080-25580508	
Ahmedabad Office	404, Satkar, Nr. Swagat Char Rasta, C. G. Road. Ellisbridge, Ahmedabad - 380 006 Phones : 079-26446877-78, Fax : 079-26442013	
R & D Centre & Moxi Plant	Sankarda-Bhadarva Road, Post : Poicha - 391 350 Tal.: Savli, Dist.: Baroda Phones : 02667-244350, 244370, 244380, Fax : 02667 - 244340	

Members are requested to direct all correspondence relating to share matters to the Company's Registered Office or to Share Transfer Agent, M/s. Intime Spectrum Registry Limited, 308, 1st Floor, Jaldhara Complex, Opp. Manisha Society, Old Padra Road, Vadodara - 390015.

NOTICE

NOTICE is hereby given that the 35th Annual General Meeting of the members of the Company will be held on 17th April, 2008 (Thursday), at 11.00 a.m. at the Registered Office of the Company at ABS Towers, Old Padra Road, Vadodara - 390007, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st December, 2007, Profit and Loss Account and Cash Flow Statement for the year ended on that date and report of the Directors' and Auditor's thereon.
2. To declare dividend on ordinary shares.
3. To appoint a Director in place of Mr. Jal R Patel, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. Hans J Kogelnik, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Vishal R Agrawal, who retires by rotation and, being eligible, offers himself for re-appointment.
6. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :

"RESOLVED THAT M/s. Price Waterhouse, Chartered Accountants, Mumbai, be and are, hereby re-appointed as Statutory Auditors of the Company to hold the office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company, on such remuneration as may be mutually agreed upon between the Board of Directors and the Auditors."

Regd. office :
 6th floor, ABS Towers,
 Old Padra Road,
 Vadodara.
 February 19, 2008

By order of the Board
 For LANXESS ABS Limited

S M Vaishnav
 Company Secretary & VP (Legal)

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

 Proxy form in order to be effective must be received by the Company not less than 48 hours before the commencement of the meeting. A proxy so appointed shall not have any right to speak at the meeting. A blank proxy form is enclosed.
2. The Register of Members and Share Transfer Books of the Company (for both Demat & Physical) will remain closed from 7th April 2008 to 10th April 2008 (both days inclusive) for the purpose of Annual General Meeting and Dividend. Dividend when declared at the Annual General Meeting shall be paid in the following manner:
3. Members are requested to :
 - (i) notify immediately the changes in their address, if any, to the Company or its Share Transfer Agent and in case the shares are held in dematerialised form, the information should be passed on to their respective Depository Participants without any delay and should always quote their folio number or DP ID & Client ID, as the case may be, in all correspondence.

- (ii) change their shareholding to dematerialized form in case the shareholders are holding shares in physical form.
- (iii) avail facilities of electronic clearing services to avoid fraudulent encashment of warrants. Members are requested to send their Bank account details to the Share Transfer Agent, M/s. Intime Spectrum Registry Limited, 308, 1st Floor, Jaldhara Complex, Opp. Manisha Society, Old Padra Road, Vadodara - 390015 or Company's secretarial department at 6th Floor, ABS Towers, Old Padra Road, Vadodara - 390 007 **on or before 7th April, 2008** so as to enable the Company to directly credit the dividend amount to their bank account.
4. Members desirous of seeking any information on Accounts or other items of Agenda are requested to forward his/her queries to the Company at least seven working days prior to the date of Annual General Meeting so as to enable the management to keep the information ready.
5. Corporate members intending to send their authorised representatives are requested to send a duly certified copy of the Board Resolution authorising their representatives to attend and vote at the Annual General Meeting.
6. Members/proxies attending the meeting are requested to bring their copy of Annual Report with them at the Meeting and deliver the enclosed attendance slip at the entrance of the meeting hall.
7. **Reappointment of Directors**
 Pursuant to the provisions of Articles of Association, Mr. Jal R Patel, Dr. Hans J Kogelnik and Mr. Vishal Agrawal are retiring at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. The brief resumes of all these directors and other information as per Clause 49 of the Listing Agreement with Stock Exchanges are provided alongwith in the Annual Report.

Details of the Directors seeking re-appointment as per Clause 49 of the Listing Agreement

Name of Director	Mr. Jal Patel	Dr. Hans K Kogelnik	Mr. Vishal Agrawal
Age (Yrs.)	71	52	34
Date of Appointment	29.12.2005	28.4.2004	23.3.2001
Experience (Yrs.)	47	25	8
Qualification	Company Secretary Chartered Accountant	Doctorate in Organic Chemistry	Master of Science
List of Public Companies in which directorship held as on 31.12.2007	- LANXESS ABS Limited. - ABC Bearings Limited. - MIPCO Seamless Rings (Gujarat) Limited. - Shri Dinesh Mills Limited. - Gujarat Gas Company Limited.	- LANXESS ABS Limited.	- LANXESS ABS Limited.
Committee Chairmanship / Membership held as on 31.12.2007	Audit Committee Member - LANXESS ABS Limited. - MIPCO Seamless Rings (Gujarat) Limited. Chairman - ABC Bearings Limited. - Gujarat Gas Company Limited. Shareholders Grievance Committee Member - Shri Dinesh Mills Limited. - Gujarat Gas Company Limited.	Shareholders Grievance Committee Chairman - LANXESS ABS Limited.	

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting their 35th report with audited accounts for the year ended 31st December, 2007.

Financial Performance

The financial performance of your Company for the year ended 31st December, 2007.

Rs. In '000

Particulars	2006	2007	% Change
Sales and other operating Income	5,683,854	6,439,180	13.29
Other Income	50,824	55,184	8.58
Total Income	5,734,678	6,494,364	13.24
Gross Profit before Interest & Depreciation	551,489	677,280	22.81
Less: Depreciation	132,703	135,557	2.15
Profit Before Taxation	418,786	541,723	29.36
Less: Provision for Taxation	157,580	199,960	26.89
Less: Provision for Deferred Tax	(9,580)	(7,778)	-18.81
Profit After Taxation	270,786	349,541	29.08
Add: Balance of Profit Brought Forward	702,346	812,976	
Amount Available for Appropriation	973,132	1,162,517	
Appropriations:			
Proposed Dividend	52,757	52,757	
Tax on Proposed Dividend	7,399	8,966	
Transfer to General Reserve	100,000	35,000	
Balance of Profit Carried Forward	812,976	1,065,794	
	973,132	1,162,517	

Review of operations

The net sales of the Company for the year under review increased to Rs.643.92 Cr. as compared to Rs.568.39 Cr. in the previous year, registering a growth of 13.29%. The operating profit of the Company grew by 22.81% from Rs.55.15 Cr. to Rs. 67.73 Cr. and the net profit increased by 29.08% from Rs.27.08 Cr. to Rs.34.95 Cr.

The Earning per Share (EPS) increased from Rs.15.40 to Rs.19.88. The total paid up capital of your company remained unchanged at Rs.17.58 Cr.

During the year oil prices touched a new high close to 100 USD per barrel. As a result, the prices of polymers also went up. Prices of our main three raw materials ruled high throughout the year. The high price was accompanied by a lot of volatility in case of our principal raw material styrene. Further, the year witnessed sharp appreciation of Indian Rupee vis-à-vis US Dollar. This disturbed the price parity of imported products vis-a-vis locally produced products putting pressure on margins.

The market generally grew on expected lines. The growth of two wheelers – one of the major user industries – was not up to the level projected for the year and consequently there was a resistance in demand from that sector. Overall market however, still grew by double digits. The market is expected to grow continuously for next few years. We are confident of maintaining our market leadership.

During the year the company implemented its expansion plans for augmenting compounding facilities by installing a state-of-the art compounding unit at its Moxi plant. The facility went on stream in February 2008. With this, the compounding capacity for ABS will be enhanced to 80,000 tpa. The Company is engaged in enhancing capacity in the polymer section and other areas by debottlenecking resulting in its ABS capacity reaching 80,000 tpa which is expected to be available for the year 2009.

During the year we have developed and produced products specific to the customer demands. This has helped the company in achieving better profitability particularly in the automotive sector. In view of the improved realization, the profit for the year under review rose significantly over the last year.

Management discussion and analysis reviews the coming year's business prospects separately. The Company continues its high quality service standards and is geared up to meet with higher demands from IT, Consumer durables, Electronics and other user industries showing greater promise.

Your Board of Directors is pleased to record that for the fifth year in succession the company continues to be debt free.

Income from Sale of immovable Properties

During the year the company sold off some unrelated immovable properties which includes transactions involving related party generating additional income for the year under review which is included under other income (see Schedule 12).

Dividend

The Directors of your company are pleased to recommend a dividend of Rs. 3.00 per equity share i.e. 30 % on a paid up share value of Rs. 10/- each, for the financial year ended on December 31, 2007 subject to the shareholders' approval at the ensuing Annual general Meeting (AGM) which when approved will be paid to all those shareholders whose names appear in the Register of Members as on 10th April, 2008.

The register of members and share transfer books shall remain closed from (7th April 2008 to 10th April 2008) both days inclusive, for the purpose of annual general meeting and payment of dividend.

Takeover offer/ Promoters Agreement for Transfer of Equity

INEOS ABS (Jersey) Ltd along with other persons acting in concert in terms of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and amendments thereafter, made a public announcement in June 2007 stating the proposal to acquire your company's controlling block of shares from the existing promoters-Lanxess India Pvt Ltd (holding 50.97%) and Mr. Rakesh Agrawal and his associates (holding 19.00%). In accordance with the SEBI regulations applicable, the acquirer has made a public offer to the other shareholders to consider accepting maximum 20% of the share capital of the company.

Contribution to the national exchequer

The Company contributed a sum of Rs. 111.34 Cr. to the exchequer by way of direct and indirect taxes and state taxes/duties during the year under review.

Exports

During the year under review the company's exports amounted to Rs. 315 lakhs covering 411 MT of goods. In the current year as well, we expect to improve exports.

Expansion / Modernisation

Your Company is committed to implement plans of expansion and modernization of its operations to meet growth in the market demand and is confident of maintaining its leadership position.

Research and Development

We have made considerable progress in the development of ABS / Nylon blends for the automotive sector in different colours displaying optimal performance. Extensive CAD/CAE support was provided successfully and variety of customer's jobs undertaken.

Risk Management

The Company has undertaken a total awareness programme across all its functions and operations. We have introduced regular review/followup so as to have continuous monitoring of each risk ascribed and ascertaining such specific rating and likely impact. Action plan is put in practice thereafter.

The Managing Director is in direct command of the implementation of practices and takes such remedial actions wherever deemed fit.

The senior and middle level managerial personnel have imbibed the spirit of objectives behind the Company's risk management framework. The Managing Director gives overall directions in controlling / mitigating risks generally and is in complete know of the organizational risks potential.

All functional heads periodically review risks in their areas of responsibility and implement an effective system of internal controls to manage them and the same is being shared among the common forum of management teams. Risk appetite is regulated in consultation with the managing director within the given ambit of the Company objectives.

Environment and Safety

Your Company is conscious of its' Societal and Corporate responsibility relating to environment and continues to promote safety as an integral part of the work culture. It is given top most priority ranking and very high importance across all Corporate activities, be at plants or other office work places. Onsite emergency plans continue to be in state of alert and updated in all divisions. Regular drills and trials conducted at various divisions prepare, in case of need, the employee responses for eventual preparedness.

The internal and external safety audits have shown satisfactory results. There is a day to day safety system followed to resolve safety issues. Besides employees, the contractors and workmen are also given exhaustive training on safety, first-aid and fire fighting. On site education on safety and security methods continue in earnest to bring in required awareness among contract labour as well. The Company has appointed and trained safety stewards to promote safety in all divisions.

Your Company continues to maintain ISO certification standards.

Insurance

As at year end 2007, your Company's assets were adequately insured against risk from fire, riot, earthquake, floods, terrorism etc and have also taken loss of profits policy.

As an additional coverage, a statutory Public Liability Insurance Policy has been taken to cover public liability arising out of industrial accidents and also product liability insurance as per global standards.

Directors

During the year Dr Hans Koglenik, Mr Jal Patel and Mr Vishal Agrawal, are to retire at the AGM. As they are retiring by rotation and being eligible, they have offered themselves for reappointment.

Quality systems and ISO certification

During the year the Company continues to observe all pre-requisites in maintaining the quality systems and standards and ISO audit methods as required within the certification and guidelines in this regard.

Corporate Governance

Your Company has strengthened its adherence to clause 49 of Listing Agreement and maintains vigilance to meet with expected compliance standards. This proactive approach and constant monitoring of compliances in all the Corporate activities helps providing greater comfort levels for the stakeholders and better results from business operations while adhering to regulatory requirements..

The report on Clause 49 of the listing agreement and Auditor's certificate on compliance with Corporate Governance norms for the year 2007, forms part of the report.

Human Resource and Industrial Relations

The Human Resources form a backbone of the Company and is guided by a strong set of values and policies and plays a key pivotal role in maintaining Company's strength across all activity centers. The Company maintains healthy, cordial and harmonious industrial relations at all levels. Despite severe competition, the enthusiasm and unstinting efforts of the employees enabled the Company to remain at the forefront of its present business areas.

Particulars of Employees

The information required under the provisions of Sec 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, forms part of this report.

Auditors

M/s. Price Waterhouse, Chartered Accountants, Mumbai, Statutory Auditors' of the Company hold office until the conclusion of Annual General Meeting and are eligible for reappointment. The company has received a certificate from M/s. Price Waterhouse, Chartered Accountants, under Section 224(1) of the Company's Act, 1956 confirming their eligibility and willingness to accept the office of the Statutory Auditors, if re-appointed.

Consumption of energy, technology absorption and foreign exchange earnings and outgo

A statement giving details of the conservation of energy, technology absorption, foreign exchange earnings and outgo, in accordance with Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed hereto and forms part of this report.

Directors' Responsibility Statement Pursuant to section 217(2AA)

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors based on the representation received from the operating management, confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed.
- ii) they 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 on 31st December, 2007 and of the profit of the Company for the year ended on that date;
- iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) they have prepared the annual accounts on a going concern basis.

Acknowledgements

The Directors would like to thank the shareholders, customers, dealers, suppliers, bankers, and all the other business associates for the continuous support given by them to the Company and their confidence in its management.

For and on behalf of the Board

Mumbai
Dated : February 19, 2008

Dr. Hans J Kogelnik
Chairman

Annexure I to the Directors' Report

Information as per Section 217(e) read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st December, 2007.

1. Conservation of energy

a) Energy conservation measures taken:

1. Installed Atlas Copco make non-lubricated screw air compressor working on variable frequency drive at Moxi plant which reduced electricity consumption considerably
2. Installed Energy meters on individual refrigeration system to evaluate the Electricity consumption pattern.
3. Enhancement of Capacity Utilization of Refrigeration compressors in PBR plant reduced the Sp. Power consumption.
4. Power factor has been maintained high by the installation of new capacitors at Nandesari.
5. Flash dryer steam condensate recovery system has been installed & commissioned which resulted in the reduction of fuel & boiler feed water.
6. Recycling of treated waste water & continued operation of central vacuum system in compounding section has reduced water consumption.

b) Additional investments if any being implemented for reduction of consumption of energy : Rs. 40 Lakhs

c) Impact of measures at a) & b) above for reduction of energy consumption and consequent impact on the production of goods.

Reduction in specific energy and water consumption.

2. Total energy consumption and consumption per unit of production as per Form A

	Jan-07 to Dec-07	Jan-06 to Dec-06
Power and Fuel Consumption		
2.1 Electricity		
a) Purchased		
Units No.s	26,285,856	22,940,444
Total Amount Rs ' 000	140,729	121,611
Rate/Unit Rupees	5.35	5.30
b) Own Generation		
i) Through Diesel Generator		
Units	299,832	529,120
Units per Ltr. of Diesel Oil	274	292
Cost/Unit	12.63	10.77
ii) Through Steam Turbine/ Generator Units	NIL	NIL
Units per Ltr Of Fuel Oil/Gas	NIL	NIL
Cost/Unit	NIL	NIL
iii) Through Wind Turbine/ Generator Units	6,373,286	7,876,706
Amount RS. ' 000	31,098	38,321
Rate per unit Rupees	4.88	4.87
Power and Fuel Consumption		
2.2 Coal (specify quality and where used)	NIL	NIL
2.3 Furnace Oil		
Qtr. (Ltrs)	1,130,917	1,142,989
Total Amount RS. ' 000	20,319	20,709
Avg. Rate	17.98	18.12
2.4 Other / Internal Generation		
Natural Gas		
Qty. (M ³)	1,701,566	1,546,268
Total Cost	28,861	23,865
Rate / Unit	16.96	15.43
2.5 Consumption per Ton		
Electricity Units	351	362
Furnace Oil Ltrs.	12	13
Natural Gas M ³	34	34

3. Particulars as per Form B

3.1 Activities carried out at the Research and Development Center during the year 2007.

- Custom made grades requiring specific properties like high impact strength suitable for automobile industry, helmet etc. were developed during the year.
- Suitable grades for the extrusion application in the white goods sector were developed.
- Newer grades, both for extrusion and injection moulding applications were developed.
- Reinforced ABS grades were developed particularly for the s white goods sector
- A series of ABS blends grades for the automotive and electrical / business machines sectors displaying requisite combinatorial range of thermo-mechanical characteristics and theological characteristics have been developed. Three such grades have been offered for end – user trials.
- Custom made SAN grades were also developed for variety of applications and end user performance trials are in progress.
- Continuous validation studies of property profiles and functional performance requirements of prime ABS and SAN grades have / are in progress with excellent inter-correlations.

3.2 Expenditure on R & D

	Rs. '000
a) Capital	1,988
b) Recurring	8,334
c) Total	10,322
d) Total R & D expenditure as a percentage of :	
Gross Turnover	0.16
Net Turnover	0.19

4. Technology absorption, adoption and innovation

Efforts made towards technology absorption, adoption and innovation is as per point 3.1 above.

5. Foreign exchange earning and outgo

5.1 The Company is growing its market base. Consistent efforts are being made to sustain new avenues for exports.

5.2 Total foreign exchange earned and outgo

	Rs. '000
a) FOB value of exports made	31,486
b) Exchange Earned	36,605
c) Exchange Outgo	5,810
d) CIF Value of imports made	3,451,971

Annexure II to the Directors' Report

Particulars of employees pursuant to the provisions of Sec 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st December, 2007.

Person employed for full year ended 31st December, 2007, who is in receipt of remuneration, which in the aggregate was not less than Rs. 4,00,000 p.m. respectively :

Mr. R S Agrawal - Managing Director

Qualification	Remuneration (Rs.'000)	Age (Yrs.)	Exp (Yrs.)	Date of commencement of employment
Chemical Engineer	22,334*	60	34	7.12.1973

*Includes Rs. 10,500 thousands towards annual performance bonus payable for the year 2007.

Gross remuneration includes salary, house rent allowance, medical allowance and other allowances. The appointment of Mr. R S Agrawal is on contractual basis and none of the employee is related to any of the director of the Company.

For and on behalf of the Board

Dr. Hans J Kogelnik
Chairman

Mumbai, Dated : February 19, 2008

CORPORATE GOVERNANCE

1 COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The company philosophy of Corporate Governance is focused primarily to provide the management with tools necessary for business practices required for legal and ethical conduct and fair financial reporting in tune with Committed Corporate response based on transparency, accountability and integrity. Now close to a decade, the Corporate edifice of the Enterprise stands on firm foundations of standards and effective stakeholder responses that have built in long term relationships. In the process of consolidating the measures, the company has further attempted to percolate the spirit of corporate governance across the employee levels. The Company believes that such benchmarks do get tested in value terms over period of time in most competitive environment with sustainable results.

2 BOARD OF DIRECTORS

Board of Directors monitor Company's performance, review strategy through its various committees and evaluates management performance. The Board ensures legal and ethical conduct and fair financial reporting. It holds itself accountable not only to the shareholders but to other stakeholders.

- **Composition and size of the Board**

The Board comprises of eight Directors. The Company has a non-executive Chairman. The Managing Director under the supervision and control of the Board of Directors manages the Company. The Board of the Company has an optimum mix of non-executive and independent Directors. The non-executive Directors are professionals, having expertise in general corporate management, legal, finance, banking and other allied fields.

The Company has not entered into any materially significant transaction with its promoters, Directors or the management or relatives etc. that may have potential conflict with the interests of the Company at large.

- **Board Meetings and attendance**

Four Board Meetings of the Company were held during the year 2007. The Board meetings of the Company were held on 30th January, 2007, 27th April, 2007, 30th July, 2007 and 22nd October, 2007. The annual calendar of Board Meetings is agreed upon at the beginning of each year.

The information as required under Annexure I to clause 49 of the Listing Agreement is made available to the Board. The agenda and the papers for consideration at the Board meeting are circulated at least three days prior to the meeting. Adequate information is circulated as part of the Board papers and is also made available at the meeting to enable the Board to take informed decisions.

Attendance of each director at the Board Meeting and last Annual General Meeting and number of companies and committees where he is a Director / Member as on 31.12.2007.

Name of Directors	Category	No. of Board Meeting Attended	No. of Committee Membership(s) / Chairmanship(s)+		No. of directorships* held	Attendance at last AGM
			Member	Chairman		
Dr. Hans J Kogelnik	NED	4	1	1	1	Yes
Mr. R S Agrawal	MD	4	2	-	2	Yes
Mr. S M Kulkarni	NED(I)	4	8	5	9	Yes
Mr. K R V Subrahmanian	NED(I)	4	5	3	7	Yes
Mr. Venkatesh Sankaran	NED	3	1	-	1	Yes
Dr. Joerg Strassburger	NED	4	1	-	1	Yes
Mr. Vishal Agrawal	NED	2	-	-	1	Yes
Mr. Jal R Patel	NED(I)	4	6	2	5	Yes

MD -Managing Director, NED - Non-Executive Director, NED(I) - Non-Executive Independent Director.

* Directorship mentioned above includes Directorship in LANXESS ABS Limited and excludes private and foreign companies.

+ Committees considered as per clause 49 of the Listing Agreement are Audit Committee and Shareholder Grievance Committee including LANXESS ABS Limited. The membership no. includes chairmanship nos.

- **Board Procedure**

The Company holds at least four Board Meetings in a year, one in each quarter to review the financial results and other items of the agenda and the gap between two Board Meetings does not exceed four calendar months. Urgent matters are also approved by the Board by passing resolutions through circulation. Agenda papers are generally circulated to the Board Members well in advance before the meeting of the Board. All material information is incorporated in the agenda papers for facilitating meaningful and focused discussions at the meeting. Each Director on the Board is free to suggest any item for inclusion in the agenda for the consideration of the Board.

The draft minutes of the proceedings of each Board meeting are circulated to the members of the Board for their comments and thereafter, confirmed by the Board in its next meeting. The Board also takes note of the minutes of the committee meetings duly approved by their respective Chairmen.

To enable the Board to discharge its responsibilities effectively, the Managing Director briefs the Board at every meeting on the overall Company performance. A detailed functional report is also placed at every Board Meeting. The function performed by the Board includes review of :

- Strategy and business plans.
- Annual operating and capital expenditure budgets.
- Investment and exposure limits.
- Compliance with statutory/regulatory requirements and review of major legal issues.
- Adoption of quarterly/half yearly/annual results.
- Significant labour problems.
- Transactions pertaining to purchase/ disposal of property.
- Major accounting provisions and write offs.

- **Responsibilities**

Managing Director: Mr. R S Agrawal, Managing Director of the Company, is responsible for the overall management of the Company. He is the only full time executive representative from the Board of Directors. He periodically makes presentations and appraises the Board about the performance of the Company.

Independent Directors: The Independent Directors play a vital role in vetting issues/decision making at the Audit Committee / Board Meetings and bring to the Company their wide experience in the field of corporate management, accounts, finance, taxation, audit, secretarial & legal and information management.

The Company has three Independent Directors on the Board. The Audit Committee is composed of non-executive independent Directors. Independent Directors have unfettered and complete access to all the information of the Company.

- **Details of Directors being reappointed**

As per the Statute, two third of the Directors should be retiring directors. One third of these retiring directors are required to retire every year and if eligible these Directors qualify for reappointment.

Mr. Jal R Patel, Dr. Hans J Kogelnik and Mr. Vishal Agrawal retire by rotation and being eligible, have offered themselves for re-appointment. The directorships in other Companies are as per the table given above.

Mr. Jal Patel

Mr. Jal Patel is a Chartered Accountant (CA) and is also a Company Secretary (CS). He is having more than 47 years of rich corporate experience in the field of finance / commercial and corporate administration. He has held the position of Managing Director of FAG Bearings India Ltd., Baroda between 1977-1997. He also holds membership and is a trustee of various Trusts and Social Organisations, in and around Baroda, apart from having directorship in various companies.

Dr. Hans Kogelnik

Dr. Hans Kogelnik is doctorate in organic chemistry from Technical University (RWTH) at Aachen and is having vast experience as a development chemist within the Polyurethane Business Group, and also held positions as Global Head in various companies operating in Styrenics business, polymers innovation, PU-production, PU-supply chain and Strategic Marketing, etc. He is having more than 25 years of experience in the chemical industry.

Mr. Vishal Agrawal

Mr. Vishal Agrawal is a Master of Science in Management from Steven Institute of Technology (USA). Presently he is the Managing Director of M/s. Shiva Pharmachem Pvt. Ltd., Vadodara.

The Directors of the Company also hold positions as Directors, committee members, trustees, partners and shareholders in other reputed companies, trusts, associations and firms. The committee memberships / chairmanships held by the Directors in other corporates are in compliance with the clause 49 of the Listing Agreement. The constitution of the Board and details of other directorship and committee membership as on 31st December, 2007 are as follows :

Table of Directorship and Committee Membership held by the Directors as on 31.12.2007

Sr.	Name of Directors	Particulars of Directorships held	Name* of Committee	Member / Chairman
1	Mr. Rakesh Agrawal DIN : 0057955	LANXESS ABS Limited.	SGC	Member
		Control Print (India) Ltd.	AC	Member
2	Dr. Hans Joachim Kogelnik DIN: 0085991	LANXESS ABS Limited.	SGC	Chairman
3	Mr. Venkatesh Sankaran DIN:0012517	LANXESS ABS Limited.	AC	Member
4	Mr. Sharad Kulkarni DIN:0003640	LANXESS ABS Limited.	AC	Chairman
		Bayer Crop Science Limited.	AC	Chairman
			SGC	Member
		Camlin Fine Chemicals Limited	AC	Chairman
		Hindustan Construction Co. Ltd.	AC	Chairman
		KEC International Ltd.	AC	Member
		Raychem RPG Ltd.	None	None
		RPG Enterprises Limited	None	None
Navin Fluorine International Limited	AC	Member		
HCC Real Estate Limited	AC	Chairman		
5	Mr. K R V Subrahmanian DIN:0005292	LANXESS ABS Limited	AC	Member
		Sesa Industries Ltd.	AC	Chairman
		Matrix Laboratories Ltd.	AC	Member
		DSP Merrill Lynch Fund Managers Ltd.	AC	Chairman
		Alkyl Amines and Chemicals Ltd.	AC	Chairman
		Sesa Goa Limited.	None	None
		New Consolidated Construction Co.Ltd.	None	None
6	Dr. Joerg Strassburger DIN:0223839	LANXESS ABS Limited.	SGC	Member
7	Mr. Vishal Agrawal DIN:0056800	LANXESS ABS Limited.	None	None
8	Mr. Jal Patel DIN:0065021	LANXESS ABS Limited.	AC	Member
		ABC Bearings Limited	AC	Chairman
		MIPCO Seamless Rings (Gujarat) Ltd.	AC	Member
		Shri Dinesh Mills Limited	SGC	Member
		Gujarat Gas Co. Limited	AC	Chairman
SGC	Member			

*AC:Audit Committee / SGC: Shareholder Grievance Committee.

3. REMUNERATION OF DIRECTORS

• Remuneration to Managing Director

The remuneration paid to the Managing Director is recommended by the Remuneration Committee and approved by the Board of Directors subject to the approval by the shareholders in the general meeting and such other authorities, as the case may be.

Except Mr. R S Agrawal, Managing Director, who is in the whole-time employment of the Company, none of the Directors on the Board are paid any remuneration. The synopsis of approvals for the remuneration paid to Mr. R S Agrawal, Managing Director is given hereunder.

Approving Authority	Date of approval
Remuneration Committee	30.1.2007
Board of Directors	30.1.2007
Shareholders at the Annual General Meeting	Members at the 34 th AGM dtd. 27.4.2007 approved restructuring of remuneration payable to Mr. R S Agrawal, Managing Director.

The remuneration paid to the Managing Director during the year ended 31st December, 2007:

Components	Particulars	Amount (Rs. In '000)
Fixed Component	Salary*	21,300
	Perquisites & Allowances	1,034
Performance Linked	Commission	Nil
Service Contract, notice period and severance fees: Mr. R S Agrawal was reappointed as Managing Director of the Company for a period of three years from 1st January, 2007 to 31st December, 2009 at the Annual General Meeting held on 28.4.2006. There is no severance fees payable in the service contract.		
Stock Option	NIL	

*Includes Rs. 10,500 ('000) towards annual performance award/bonus payable for the year 2007.

• Remuneration to Non-Executive Directors

Non-executive Directors do not draw any remuneration from the Company. However, Non-executive Independent Directors are entitled to sitting fees for every meeting of the Board and Audit Committee attended by them. Non-executive Independent Directors are paid sitting fees of Rs. 20,000/- at present for each Board Meeting & Audit Committee Meeting attended.

• Sitting fees paid during the year ended 31st December, 2007

Name of Director	Sitting Fees paid (Rs.)		
	Board Meeting	Audit Com. Meeting	Remuneration Com. Meeting
Mr. S M Kulkarni	80,000	80,000	10,000
Mr. K R V Subrahmanian	80,000	80,000	10,000
Mr. Jal R Patel	80,000	80,000	N.A.

The Company has not advanced any loan to any of its Directors. As of now, the Company does not have any Employee Stock Option Plan (ESOP).

4 COMMITTEES OF THE BOARD

The Board has constituted various committees for smooth and efficient operation of the activities of the Company and is responsible for contributing, assigning, co-opting and fixing the terms of reference in line with the laws of the land.

The draft minutes of the proceedings of each committee meeting are circulated to the members of that committee for their comments and thereafter, confirmed in the next meeting. The Board also takes note of the minutes of the meetings of the

placed before the Board for approval. The Chairman, quorum and the terms of reference of each committee has been approved by the Board. committees duly approved by their respective Chairman and the material recommendations / decisions of the committees are placed before the Board for approval. The Chairman, quorum and the terms of reference of each committee has been approved by the Board.

Audit Committee

- **Terms of Reference**

The terms of reference of Audit Committee are as per the Listing Agreement and the Companies Act, 1956. The broad terms of reference of Audit Committee is to review the internal controls, to oversee the Company's financial reporting process and disclosure of financial information, to review internal audit reports, to meet the internal/ statutory auditors and discuss their findings, suggestions and other issues relating to Company operations. The scope also includes areas prescribed by Clause 49 II (D) of Listing Agreement.

The Committee invites the Chairman of the Board, Managing Director, VP (Finance)/CFO as well as the representative of the internal & the statutory audit firms at its meeting. The recommendations of Audit Committee are accepted and implemented by the Board. The Company Secretary acts as Secretary to the Committee.

- **Details of composition of the Audit Committee and attendance of Members are as follows :**

During the year four committee meetings were held respectively on 30th January, 2007, 27th April, 2007, 30th July, 2007 and 22nd October, 2007. The composition of the committee and details of meeting attended by the members are given below:

Name of Member	Category	Status	No. of meetings attended
Mr. S M Kulkarni	Non-executive Independent Director	Chairman	4
Mr. K R V Subrahmanian	Non-executive Independent Director	Member	4
Mr. Venkatesh Sankaran	Non-executive Director	Member	3
Mr. Jal R Patel	Non-executive Independent Director	Member	4

The last Annual General Meeting of the Company was held on 27th April, 2007 at the registered office of the Company and was attended by Mr. S M Kulkarni, Chairman of Audit committee.

- **Remuneration Committee**

A Remuneration Committee is constituted by the Board on specific need basis. During the financial year ended 31st December, 2007 one committee meeting was held on 30th January, 2007, specifically to consider the reconstitution of remuneration payable to Managing Director Mr. R S Agrawal and all members were present at the meeting. The composition of committee is given below:

Name of Member	Category	Status
Dr. Hans J Kogelnik	Non-executive Director	Chairman
Mr. S M Kulkarni	Non-executive Independent Director	Member
Mr. K R V Subrahmanian	Non-executive Independent Director	Member

- **Shareholders' Grievance Committee**

The scope, terms of reference and functioning of Shareholders' Grievance Committee is as per areas prescribed by Clause 49 of Listing Agreement. During the year four committee meetings were held respectively on 30th January, 2007, 27th April, 2007, 30th July, 2007 and 22nd October, 2007. The composition and attendance of the members of the committee is as under:

Name of Member	Category	Status	No. of meetings attended
Dr. Hans J Kogelnik	Non-executive Director	Chairman	4
Mr. R S Agrawal	Managing Director	Member	4
Dr. Joerg Strassburger	Non-executive Director	Member	4

The Compliance Officer, Mr. S M Vaishnav, is entrusted with the responsibility to look into the redressal of the shareholders' grievances and reports the same to the Committee. The committee oversees all matters encompassing the shareholders' / investors' related issues. There are no grievances of shareholders' / investors' remaining unresolved as every effort is maintained at all levels to immediately redress investors' grievances without delay. Details of complaints received, resolved and pending for the period under review are summarised below.

Particulars	Total Complaints Received during 2007	Total complaints Resolved during 2007	Pending complaints
Received from Shareholders	13	13	0
Referred by SEBI	2	2	0
Referred by Stock Exchanges	1	1	0
Referred by RBI or Govt. Authority	0	0	0

• **Share Transfer Committee**

Apart from the above committees, the Board has constituted the Share Transfer Committee. The committee has been delegated with the powers to attend share transfer / transmission approvals etc. The committee ordinarily meets once in fifteen days. The constitution of committee comprises of Mr. R S Agrawal, MD, Mr. D J Shah VP (Finance) and Mr. S M Vaishnav, Company Secretary & VP (Legal).

5 DISCLOSURES

a) **Related Party Disclosures**

The Company has not entered into any transaction of a material nature with the promoters, Directors or the management, their subsidiaries or relatives, etc., that may have potential conflict with the interest of the Company. The Audit Committee also reviews related party transaction on periodical basis. Transactions with related parties as per the requirement of Accounting Standard 18 are disclosed in Schedule 18 (Notes to Accounts).

b) **Compliances made by the Company**

The Company has continued to comply with the requirements of the stock exchanges, SEBI and other statutory authorities on all matters related to capital market during the last three years. No penalties or strictures have been imposed by the stock exchange or any other statutory authority on any matter related to capital markets during the year under review.

6 CORPORATE ETHICS

a) **Code for Prevention of Insider Trading**

The Company has a comprehensive code of conduct for its management, staff and directors for prevention of insider trading and procedure to deal in securities. The code lays down guidelines and procedures to be followed and disclosures to be made while dealing with securities of the Company. The purpose of the code is also to guide Company's transactions with research analysts & media and to ensure timely and adequate disclosure of price sensitive information to regulatory authorities on a continuous basis. The Company management has identified employees and related persons as 'Insiders' who are expected to strictly adhere to the code for prevention of insider trading and procedure to deal in securities, which has been approved and enforced by the Board of Directors. All the Board members are also identified as insiders. Mr. S M Vaishnav, Company Secretary, has been appointed as

compliance officer and is responsible for adherence to the code for prevention of insider trading and reports to the Board and Audit Committee about the implementation and status on periodical basis. A copy of code of conduct has been posted at Company's website www.lanxessabsindia.com.

b) Code of Corporate Governance

To be in line with the need of the dynamic market, the Company has adopted code of corporate governance, which is being used as a tool to exceed and excel through better corporate governance and fair and transparent practices.

Annual declaration by the Managing Director and Chief Financial Officer pursuant to Clause 49 of the Listing agreement is annexed to this Report.

7 GENERAL SHAREHOLDER INFORMATION

1. Compliance Officer

Name : Mr. S M Vaishnav, Company Secretary & VP(Legal)
 Telephone numbers : 0265 - 2355861- 63
 Fax No. : 0265 - 2341012
 Email : secshare@lanxessabsindia.com
 Website : www.lanxessabsindia.com

2. Date, time & place of last three years' Annual General Meeting

AGM	Date	Year	Time	Place
32 nd AGM	28.04.2005	2004	11.00 A.M.	ABS Towers, Old Padra Road, Vadodara - 390007
33 rd AGM	28.04.2006	2005	12.00 P.M.	
34 th AGM	27.04.2007	2006	12.00 P.M.	

Special Resolution, if any, passed by postal ballot : NIL

3. Other shareholder information

- AGM : Date, Time and Venue : 17-04-2008 at 11.00 am at ABS Towers, Old Padra Road, Vadodara-390007.
- Dividend for the year 2007 : The Board of Directors of the Company has recommended a dividend of Rs. 3.00 (@ 30 %) per equity share for the year ended 31st December, 2007. Dividend when declared at the Annual General Meeting will be paid to the members', whose names appear on the Register of Members as on 10th April,2008.
- Date of book closure : 07-04-2008 (Monday) to 10-04-2008 (Thursday) (both days inclusive)
- Electronic Clearing Service (ECS) : ECS provides members an option to receive dividend amount directly in their respective bank account. For availing this facility, members holding shares in physical form may send their duly filled ECS mandate form to the Company's Registrar and Share Transfer Agent (RTA). The ECS mandate form will be made available to the members on request. Members holding shares in dematerialised form may send their ECS mandate to the concerned Depository Participants (DP) in their prescribed format.
- Bank details for the purpose of : Members are requested to provide or update, as the case may be, their dividend bank account number and account type alongwith name and addresses of bank branches to RTA in case of physical holding and to their Depository Participants (DP) in case of electronic holding of securities. As per SEBI circular, it is mandatory to print the bank account details on the dividend warrants.
- Trading Window : In accordance with the Code of Conduct for prevention of insider trading, Company closes trading window for designated employees from time to time. As per policy, trading window is closed from the third day of the close of the quarter for which financial results are prepared and opened

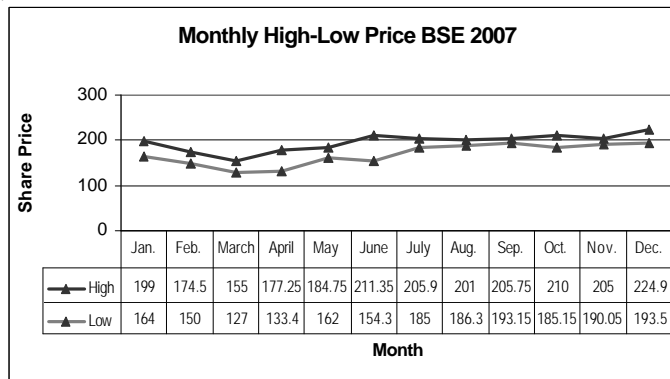
after 3 days of conclusion of Board Meeting in which the financial results are approved. The trading window is also closed during and after occurrence of price sensitive events as per the code for prevention of insider trading.

- Financial Year : Financial year is 1st January 2008 to 31st December 2008.
The financial results will be adopted as per the following tentative schedule
First Quarter : 28th April, 2008
Second Quarter : 30th July, 2008
Third Quarter : 27th October, 2008
Fourth Quarter : 28th February, 2009
- Means of Communication : The Company publishes its quarterly results in the following newspapers. Not sent individually to the share holders.

<u>Name of News Paper</u>	<u>Edition</u>
1. The Economic Times :	Ahmedabad & Mumbai.
2. Loksatta (Gujarati Daily) :	Baroda
3. The Indian Express:	Baroda
4. Business Standard:	All Editions
- Website : The results and other information of the Company are also available on Company's website : www.lanxessabsindia.com.
- Corporate Identity Number : Corporate Identity Number (CIN) allotted to the Company under MCA21 implementation by the Ministry of Corporate Affairs is L25200GJ1973 PLC002436 and can be viewed at the website of Ministry of Corporate Affairs at www.mca.gov.in.
- ISIN : 189B01011
- Listing on Stock Exchanges : Bombay Stock Exchange Limited. (BSE)
Scrip Code :506222
National Stock Exchange of India Limited. (NSE)
Scrip Symbol : LANABS
Listing fees for the year 2007-08 have been paid to both the stock Exchanges within stipulated time.
- Registrar and Share Transfer Agent : M/s. Intime Spectrum Registry Limited (ISRL) is the Registrar and Share Transfer Agent (RTA) of the Company. Members are requested to forward all correspondence relating to share transfer, transmission, change of address, dematerialisation, rematerialisation, etc. at the following address.
M/s. Intime Spectrum Registry Limited.
(Unit: LANXESS ABS Limited)
308, 1st Floor, Jaldhara Complex, Opp. Manisha Society,
Old Padra Road, Vadodara 390015
Tel.: 0265-3249857, 2250241
Fax: 0265-2250246
Email: yadodara@intimespectrum.com
Website: www.intimespectrum.com

- Following is the monthly high and low price of equity shares of LANXESS ABS Limited at the Bombay Stock Exchange Limited (BSE) for the year 2007.

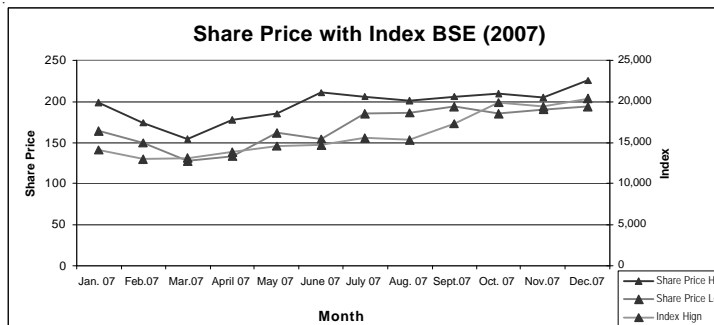
Months	High (Rs.)	Low (Rs.)	No. of Shares
Jan, 07	199.00	164.00	497596
Feb, 07	174.50	150.00	172324
Mar, 07	155.00	127.00	191227
April, 07	177.25	133.40	372705
May, 07	184.75	162.00	242344
June, 07	211.35	154.30	1030276
July, 07	205.90	185.00	936648
Aug, 07	201.00	186.30	345607
Sept, 07	205.75	193.15	183297
Oct, 07	210.00	185.15	390996
Nov, 07	205.00	190.05	131885
Dec, 07	224.90	193.50	187089
Total			4681994



- Following is the monthly high and low price of equity shares of LANXESS ABS Limited at the Bombay Stock Exchange Limited (BSE) and BSE Sensex compared with Share Price of the Company for the year 2007.

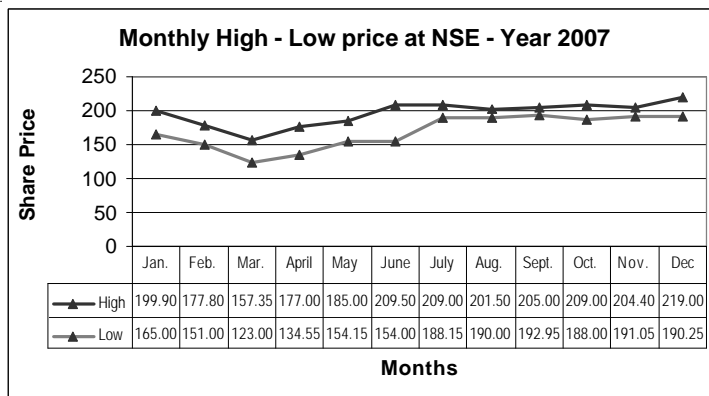
BSE index with Share Price year 2007

Months	Share Price		Index
	High	Low	
Jan. 07	199.00	164.00	14,090.92
Feb.07	174.50	150.00	12,938.09
Mar.07	155.00	127.00	13,072.10
April 07	177.25	133.40	13,872.37
May 07	184.75	162.00	14,544.46
June 07	211.35	154.30	14,650.51
July 07	205.90	185.00	15,550.99
Aug. 07	201.00	186.30	15,318.60
Sept.07	205.75	193.15	17,291.10
Oct. 07	210.00	185.15	19,837.99
Nov.07	205.00	190.05	19,363.19
Dec.07	224.90	193.50	20,286.99



- Following is the monthly high and low price of equity shares of LANXESS ABS Limited at the National Stock Exchange of India Limited (NSE) for the year 2007.

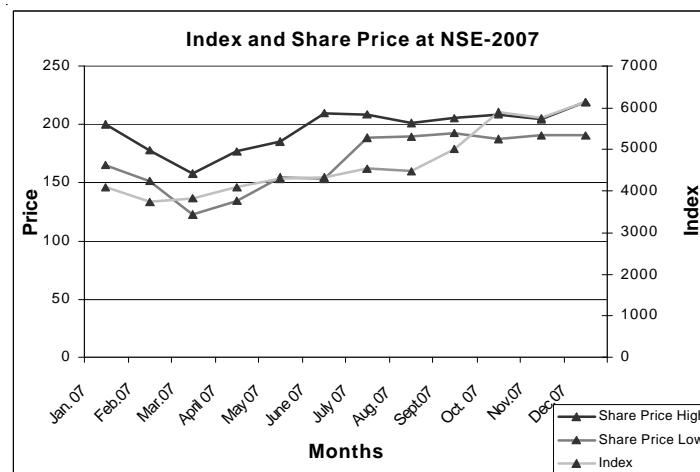
Months	Share Price		No. of Shares
	High	Low	
Jan. 07	199.90	165.00	381927
Feb.07	177.80	151.00	123814
Mar.07	157.35	123.00	143978
April 07	177.00	134.55	202915
May 07	185.00	154.15	146241
June 07	209.50	154.00	398120
July 07	209.00	188.15	807283
Aug. 07	201.50	190.00	232329
Sept.07	205.00	192.95	86634
Oct. 07	209.00	188.00	198905
Nov.07	204.40	191.05	65416
Dec.07	219.00	190.25	95989
Total			2883551



- Following is the monthly high and low price of equity shares of LANXESS ABS Limited at the National Stock Exchange of India Limited (NSE) and S&P CNX NIFTY compared with Share Price of the Company for the year 2007.

NSE index with Share Price year 2007

Months	Share Price		Index
	High	Low	
Jan.	199.90	165.00	4082.70
Feb.	177.80	151.00	3745.30
Mar.	157.35	123.00	3821.55
April	177.00	134.55	4087.90
May	185.00	154.15	4295.80
June	209.50	154.00	4318.30
July	209.00	188.15	4528.85
Aug.	201.50	190.00	4464.00
Sept.	205.00	192.95	5021.35
Oct.	209.00	188.00	5900.65
Nov.	204.40	191.05	5762.75
Dec	219.00	190.25	6138.60



Distribution of shareholding as on 31st December, 2007

No. of Shareholders	% to Total	Shareholding (Nominal value of Rs.)	No. of Shares	Amount (In Rs.)	% to Total
7,455	88.51	Up to 5,000	1,054,009	10,540,090	5.99
476	5.65	5,001 - 10,000	385,176	3,851,760	2.19
215	2.55	10,001 - 20,000	333,240	3,332,400	1.89
90	1.07	20,001 - 30,000	231,691	2,316,910	1.32
30	0.36	30,001 - 40,000	104,909	1,049,090	0.60
40	0.47	40,001 - 50,000	188,604	1,886,040	1.07
61	0.72	50,001 - 100,000	450,989	4,509,890	2.56
56	0.66	100,001 & above	14,837,007	148,370,070	84.37
8,423	100.00		17,585,625	175,856,250	100.00

Category wise shareholding as on 31st December, 2007

Category	No. of Shares	% of Shareholding
Promoters		
- Indian Promoters*		
(a) LANXESS India Pvt. Ltd. (Holding Company)	8,963,564	50.97
(b) Other Indian Promoters	3,340,675	19.00
- Foreign Promoters	0	0.00
Institutional Investors		
- Mutual Funds	516,156	2.94
- Banks, Financial Institutions	19,675	0.11
- FIs	1,322,104	7.52
Others		
- Corporate bodies	664,265	3.78
- Indian Public	2,667,610	15.17
- NRIs/OCBs	75,686	0.43
- Shares in transit	15,890	0.09
Grand Total	17,585,625	100.00

*Mr. R.S. Agrawal, Indian Promoter and Managing Director of the Company alongwith his relatives and family entities holds 33,40,675 no of equity shares comprising 19.00% of total share capital of the Company. Mr. Vishal Agrawal, Director of the Company, is a member of Indian promoter group. No other director on the Board except aforesaid holds any shares in the Company.

Dematerialisation of shares as on 31st December, 2007

The equity shares of the Company are compulsorily traded and settled only in the dematerialised form under ISIN No. INE 189B01011.

Particulars	31st December, 2006		31st December, 2007	
	No of Shares	%	No of Shares	%
No. of Shares dematerialised				
- NSDL	16,188,241	92.05	16,494,038	93.79
- CDSL	919,133	5.23	919,133	3.79
No. of shares in physical form	478,251	2.72	425,749	2.42
Total	17,585,625	100.00	17,58,5625	100.00

- Exchange of shares of erstwhile : The shareholders' holding share certificates of Bayer ABS Limited and /or ABS Industries Limited are requested to surrender the same with at the Company's registered office at 6th Floor, ABS Towers, Old Padra Road, Vadodara – 390007 to get their share certificates with the changed name of the Company i.e. LANXESS ABS Limited.
- Unclaimed dividend : Dividend declared for the year 1999, which was unclaimed for a period of seven years, has been transferred to the Investor Education and Protection Fund administered by the Central Government. As such, no claim shall lie in respect thereof.
- Outstanding GDRs / ADRs / Warrants or any convertible instruments, likely to impact on equity as on 31st December, 2007 : NIL
- Postal Ballot : During the year under review, no resolution was put through postal ballot.
- Office of the Chairman : The Company has a Non-Executive Chairman.
- Plant locations : The Company's plants are located at Nandesari, Katol & Poicha (Moxi) in Gujarat. Please refer page no. 1. of this report for addresses of Plant Locations.
- Address for Correspondence : For any information / queries, the shareholders' are requested to correspond at the following address.
 LANXESS ABS Limited
 The Secretarial Department
 6th Floor, ABS Towers, Old Padra Road,
 Vadodara 390 007.
 Phone Nos.: 0265 - 2355861-63, 2355871-73
 Fax No. : 0265 – 2341012
 Email : secshare@lanxessabsindia.com
 Website : www.lanxessabsindia.com

For and on behalf of the Board

Mumbai
 Dated : February 19, 2008

Dr. Hans J Kogelnik
 Chairman

Auditors' Certificate regarding compliance of conditions of Corporate Governance

To the Members of LANXESS ABS Limited

We have examined the compliance of conditions of Corporate Governance by LANXESS ABS Limited, for the year ended December 31, 2007, as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

The compliance of 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 of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

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.

Partha Ghosh
 Partner
 Membership Number: F -55913
 For and on behalf of
 Price Waterhouse
 Chartered Accountants

Mumbai
 Dated : February 19, 2008

Certification by Managing Director and Chief Financial Officer pursuant to Clause 49(I)(D)(ii) of the Listing Agreement with Stock Exchange

We have reviewed financial statement and the cash flow statement for the year January 1, 2007 to 31st December, 2007 and to the best of our knowledge and belief:

- i. These statements do not contain any materially untrue statement or omit any material fact or contain statement that might be misleading;
- ii. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
- iii. No transactions entered into by the company during the above period which are fraudulent, illegal or violative of the Company's code of conduct.

Further, we accept that it is our responsibility to establish and maintain internal controls for financial reporting. Accordingly, we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the auditors and the Audit Committee that there are:

- a) No deficiencies in the design or operation of internal control, which came to our notice;
- b) No significant changes in internal controls over financial reporting during the year;
- c) No significant changes in accounting policies during the year;
- d) No instances of significant fraud of which we became aware of and the involvement therein, of the management or an employee, having a significant role in the company's internal control system over financial reporting.

Mumbai
 Dated : February 19, 2008

D J Shah
 Chief Financial Officer

R S Agrawal
 Managing Director

Management Discussion and Analysis

LANXESS ABS – An Indian entity of LANXESS Global

Last year we had indicated LANXESS AG plans to restructure in certain segments and business units. The Styrenic Division repositioned as Lustran Polymers is one such unit. LANXESS AG alongwith INEOS group of Companies, represented by INEOS ABS Jersey Ltd have entered into a Joint Venture to oversee globally, the ABS / Styrenic business grow further and increase profitability.

LANXESS and INEOS alongwith Rakesh Agrawal and associates have entered into a tripartite agreement. Principally, the agreement envisages transfer of controlling equity stake of 70 % in your company, comprising of the promoters-LANXESS India Pvt. Ltd (holding 50.97%) and Rakesh Agrawal & associates (holding 19.%) to the acquirer –INEOS ABS Jersey Ltd. In terms of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, INEOS, as acquirer is required to make a public offer up to maximum acquisition of 20 % from the shareholders of the company, which the acquirer has already made. The prescribed procedure after SEBI approval is on. The promoters' sale of 70 % shares sale shall follow after the closure of the offer.

After the due process, INEOS shall represent the business effective from 1st April, 2008. Thereafter INEOS may introduce its own business strategy.

Industry Structure and Developments

This restructuring is part of their global agreement between LANXESS and INEOS.

India is considered to be a major manufacturing hub along with China .It is expected to generate a double digit growth in coming several years. Accordingly, your company is geared to match market demand by expanding its capacity. The Manufacturers in the Far-East have been looking at India and exploring Indian markets .Therefore competition will always be stronger. However, because of the company's product quality and services, we are confident to maintain the market share and profitability.

The Rupee appreciation of 12% vis-à-vis US- Dollar has brought reduction in the cost of the imported products. This has resulted in pressure on the margins. However your company has been able to maintain its market share and profitability.

Careful Cost cutting measures deployed has helped. Continuous efforts on this account could further improve performance.

During the current year the strategies and new formulations may be applied.

Opportunities and Threats

The Optimist view on Indian Economic growth rate continues to be upward. Globally the manufacturing focus now being concentrated in China and India is expected to create stronger business demand spurt from the user industries.

Maintaining the market leadership, your company is confident to participate in sustainable growth in coming five years.

Major functional risks, each of its' identification, mitigation, avoidance and keeping damages if any to minimum are monitored under the risk policy of the company.

Our R & D strength is likely to raise longterm goodwill against competition where every customer is offered best of before and after sales services.

The Rupee appreciation against dollar is likely to hurt the price realization since imported ABS becomes further cheaper. We may face possibility of cheaper imported material. Competition getting intense resulting in resistance on price-cost realization ultimately.

Products

Despite competition, your Company's Products ABSOLAN and ABSOLAC continue to be well accepted by the user industries such as Consumer durables, automotives, business machines, telecommunications, electronics and IT related machines.

R & D efforts on customers needs and after sales services is being strengthened.

Exports

Your Company is on constant lookout for export opportunities and shall revisit the issue in current year.

Internal Control Systems

The Company continues improve its internal control systems. Mandatory Compliances are monitored by the concerned head of the functional department/s. Continuous interaction periodically among key areas of operations helps in redressing mutual concerns.

The Managing Director ensures strict statutory compliance across the company operations and certifies the same to the Board of directors appropriately.

Human Resource Development and Industrial Relations

The Company continues to maintain cordial industrial relations. Human resource is considered as most vital critical factor. Employee development and growth plans go together forging smoother company growth.

The above mentioned statements are to be viewed with caution and judicious under standing, as the Company's operations involves inbuilt risk due to uncertain economic conditions and unforeseen events beyond the Company's control. Shareholders'/Investors' ought to give due allowance to the statements accordingly.

AUDITORS' REPORT TO THE MEMBERS OF LANXESS ABS LIMITED

1. We have audited the attached Balance Sheet of LANXESS ABS Limited, as at December 31, 2007, 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 presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's 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 said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, 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 December 31, 2007 and taken on record by the Board of Directors of the Company, none of the directors is disqualified as on December 31, 2007 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 December 31, 2007;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Partha Ghosh
Partner
Membership Number F-55913
For and on behalf of
Price Waterhouse
Chartered Accountants

Mumbai, Dated : February 19, 2008

ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of LANXESS ABS Limited on the financial statements for the year ended December 31, 2007]

1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
(b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of two years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
(c) In our opinion, 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 and materials in transit) 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 and have been properly dealt within the books of account.
3. The Company has neither granted nor taken loans, secured or unsecured, from companies, firms or other parties covered in the Register maintained under Section 301 of the Act. Consequently, clauses (iii) (b), (iii) (c), (iii) (d), (iii) f and (iii) (g) of the Order are not applicable.
4. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased and services received are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, 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, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
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, having regard to the fact that certain services received are of a special nature and suitable alternate sources do not exist for obtaining comparative quotations, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs 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 or the prices at which the transactions for similar goods have been made with other parties.
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, Wealth tax, Service tax, Customs Duty, Excise Duty, Cess and other material statutory dues as applicable, with the appropriate authorities.

- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of Wealth Tax, Service Tax, Customs Duty and Cess which have not been deposited on account of any dispute. The particulars of dues of Sales-tax, Excise Duty and Income-tax as at December 31, 2007 which have not been deposited on account of a dispute are as follows -

Name of the statute	Nature of dues	Amount under dispute * (Rs. in Lakhs)	Period to which the amount relates	Forum where the dispute is pending
The Central Sales Tax, 1969	Central Sales Tax	57.39	2001	Commissioner of Sales Tax (Appeals)
The Central Excise Act, 1944	Excise Duty	313.44	2004	CESTAT – Mumbai
		10.31	Feb'99 to Sept'00	CESTAT – Mumbai
		0.49	1996	Dy. Commissioner Appeals – Vadodara
		4.32	2003	CESTAT – Mumbai
		5.40	Sept.04 to Dec.06	Additional Commissioner -Vadodara
The Income Tax Act, 1961	Income Tax	4.73	1990-91	Income Tax Appellate Tribunal
		54.43	1991-92, 1992-93 and 1993-1994	Commissioner of Income Tax (Appeals)/Assessing Officer
		175.95	2001 – 02	Commissioner of Income Tax (Appeals)

*Net of amount deposited under protest.

10. The Company has no accumulated losses as at December 31, 2007 and it has not incurred any cash losses in the financial year ended on that date or 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 Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. The Company has not obtained any term loans.
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.
20. The Company has not raised any money by public issues during the year.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

Partha Ghosh

Partner

Membership Number F-55913

For and on behalf of

Price Waterhouse

Chartered Accountants

Mumbai, Dated : February 19, 2008

Balance Sheet as at December 31, 2007

(Rupees '000)

	Schedule	As at December 31, 2007	As at December 31, 2006
SOURCES OF FUNDS :			
SHAREHOLDERS' FUNDS :			
Share Capital	1	175,856	175,856
Reserves and Surplus	2	<u>2,002,453</u>	<u>1,714,635</u>
		2,178,309	1,890,491
DEFERRED TAX LIABILITY (NET)			
Deferred Tax Liability		295,204	304,606
Less: Deferred Tax Assets (Refer note 5 of Schedule 18)		<u>7,682</u>	<u>9,306</u>
		287,522	295,300
Total....		<u>2,465,831</u>	<u>2,185,791</u>
APPLICATION OF FUNDS :			
FIXED ASSETS :			
Gross Block	3	2,799,782	2,792,702
Less: Depreciation		<u>1,396,703</u>	<u>1,266,763</u>
Net Block		<u>1,403,079</u>	<u>1,525,939</u>
Capital work-in-progress		<u>242,488</u>	<u>42,240</u>
		1,645,567	1,568,179
INVESTMENTS	4	237,445	121,034
CURRENT ASSETS, LOANS AND ADVANCES:			
Inventories	5	685,329	548,662
Sundry Debtors	6	886,260	883,408
Cash and Bank Balances	7	403,464	614,677
Loans and Advances	8	<u>154,412</u>	<u>113,165</u>
		<u>2,129,465</u>	<u>2,159,912</u>
Less: Current Liabilities and Provisions			
Liabilities	9	1,484,923	1,603,178
Provisions	10	<u>61,723</u>	<u>60,156</u>
		<u>1,546,646</u>	<u>1,663,334</u>
NET CURRENT ASSETS		582,819	496,578
Total....		<u>2,465,831</u>	<u>2,185,791</u>

Notes to the financial statements

18

Schedules referred to above and notes attached thereto form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

Partha GhoshPartner
(Membership No. F-55913)

For and on behalf of

Price Waterhouse

Chartered Accountants

Mumbai, Dated : February 19, 2008

Dr. Hans J Kogelnic
ChairmanR.S. Agrawal
Managing DirectorS.M. Vaishnav
Company Secretary

Mumbai, Dated : February 19, 2008

Dr. Joerg Strassburger

S.M. Kulkarni

K.R.V. Subrahmanian

Jal R. Patel

Venkatesh Sankaran

} Directors

Profit and Loss Account for the year ended December 31, 2007

(Rupees '000)

	Schedule	Year Ended December 31, 2007	Year Ended December 31, 2006
INCOME :			
Sales and Related Income (Gross)	11	6,439,180	5,683,854
Less: Excise Duty on sales		<u>867,899</u>	<u>768,406</u>
Sales and Related Income (Net)		5,571,281	4,915,448
Other Income	12	<u>55,184</u>	<u>50,824</u>
		<u>5,626,465</u>	<u>4,966,272</u>
EXPENDITURE :			
Cost of Materials Consumed (refer note 14 of Schedule18)		3,956,176	3,563,298
Cost of Traded Goods Sold	13	166,025	87,185
Personnel Cost	14	165,192	145,658
Manufacturing and other Expenses	15	386,328	350,644
Selling & Distribution Expenses	16	300,936	280,568
Depreciation		<u>135,557</u>	<u>132,703</u>
		5,110,214	4,560,056
(Increase)/Decrease in Stocks	17	<u>(25,472)</u>	<u>(12,570)</u>
		<u>5,084,742</u>	<u>4,547,486</u>
PROFIT BEFORE TAX			
		541,723	418,786
Provision for Tax - Current		197,600	155,750
- Deferred Tax (refer note 5 of Schedule 18)		(7,778)	(9,580)
- Fringe Benefit Tax		<u>2,360</u>	<u>1,830</u>
PROFIT AFTER TAX			
		349,541	270,786
Balance brought forward from the previous year		<u>812,976</u>	<u>702,346</u>
AMOUNT AVAILABLE FOR APPROPRIATION			
		<u>1,162,517</u>	<u>973,132</u>
APPROPRIATIONS:			
Proposed Dividend		52,757	52,757
Tax on Proposed Dividend		8,966	7,399
Transferred to General Reserve		35,000	100,000
Balance carried to Balance Sheet		<u>1,065,794</u>	<u>812,976</u>
		<u>1,162,517</u>	<u>973,132</u>
Earning Per Share (Basic/Diluted) (Rs.)		19.88	15.40
(Refer note 27 of Schedule 18)			

Notes to the financial statements

18

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

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

Partha GhoshPartner
(Membership No. F-55913)

For and on behalf of

Price Waterhouse

Chartered Accountants

Mumbai, Dated :February 19, 2008

Dr. Hans J Kogelnik
ChairmanR.S. Agrawal
Managing DirectorS.M. Vaishnav
Company Secretary

Mumbai, Dated : February 19, 2008

Dr. Joerg Strassburger

S.M. Kulkarni

K.R.V. Subrahmanian

Jal R. Patel

Venkatesh Sankaran

} Directors

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2007

	Year Ended December 31, 2007 (Rs. In '000)	Year Ended December 31, 2006 (Rs. In '000)
A Cash flow from operating activities		
Net Profit before Tax	541,723	418,786
Adjustments for :		
a) Depreciation	135,557	132,703
b) Interest Expense	—	—
c) Interest Income	(24,199)	(20,780)
d) Income from Investments-Dividends	(11,749)	(33)
e) Profit on fixed Assets sold	(11,930)	(4)
f) Provision and writeoff for doubtful debts & advances.	669	2,527
g) Provision no longer required written back.	-	(319)
h) Write off/loss on sale of assets	3954	682
	<u>92,302</u>	<u>114,776</u>
Operating profit before working capital changes	634,025	533,562
Adjustments for changes in Working Capital		
a) (Increase)/Decrease in Sundry Debtors and Other receivables	(34,790)	(287,395)
b) (Increase)/Decrease in Inventories	(136,667)	(43,729)
	<u>(171,457)</u>	<u>(331,124)</u>
c) Increase/(Decrease) in Trade and other Payables	(118,254)	444,344
Cash generated from operations	344,314	646,782
Deduct: a) Interest Paid	—	—
b) Taxes Paid	(210,018)	(165,208)
	<u>(210,018)</u>	<u>(165,208)</u>
Net cash from operating activities	<u>134,296</u>	<u>481,574</u>
B Cash flow from investing activities		
a) Purchase of fixed assets	(229,988)	(71,628)
b) Proceeds from sale of fixed assets	25,019	567
c) Interest Received	24,279	20,587
d) Purchase of investments	(110,000)	(120,000)
e) Proceeds from sale of investment	—	—
f) Dividend Received	5338	33
Net cash used in investing activities	<u>(285,352)</u>	<u>(170,441)</u>
C Cash flow arising from financing activities		
a) Dividend Paid	(52,758)	(44,338)
b) Dividend Tax Paid	(7,399)	(6,166)
c) Repayments of short term borrowing	—	—
Net cash used in financing activities	<u>(60,157)</u>	<u>(50,504)</u>
Net Increase/(Decrease) in cash & cash equivalents A+B+C	(211,213)	260,629
Add-Balance at the beginning of the year	614,677	354,048
Cash & cash equivalents at the end of the year	<u>403,464</u>	<u>614,677</u>
Cash & cash equivalents comprise:		
Cash in hand	1,626	280
Balance with Scheduled banks	401,818	614,377
Balance with Non-Scheduled banks	20	20

- The above Cash Flow Statement has been prepared under the "Indirect Method" set out in AS-3, issued by the Institute of Chartered Accountants of India.
- Cash & cash equivalents include Rs.2,953 ('000) (previous year Rs.2,954(000)) which are not available for use by the Company. (Refer Schedule 7).
- Figures for the previous year have been regrouped and reclassified wherever necessary, to conform to the current year's classification.

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

Partha Ghosh
Partner
(Membership No. F-55913)

For and on behalf of
Price Waterhouse
Chartered Accountants

Mumbai, Dated : February 19, 2008

For and on behalf of the Board of Directors

Dr. Hans J Kogelnik
Chairman

Mumbai, Dated : February 19, 2008

**Schedules forming part of the Balance Sheet
as at December 31, 2007**

(Rupees '000)

	As at December 31, 2007	As at December 31, 2006
SCHEDULE 1		
SHARE CAPITAL		
Authorised :		
50,000,000 Equity Shares of Rs.10 each	<u>500,000</u>	<u>500,000</u>
Issued,Subscribed and Paid up :		
(Refer Note 7 of Schedule 18)		
17,585,625 (Previous year 17,585,625) Equity Shares of Rs.10 each fully paid up.	175,856	175,856
Of the above Equity Shares :		
a) 3,669,550 (Previous year 3,669,550) Shares are allotted as fully paid up Bonus Shares by capitalisation of Rs.17,000 ('000) out of General Reserve and Rs.19,695 ('000) out of premium received on shares.		
b) 89,63,564 Shares (Previous year 89,63,564) are held by LANXESS India Private Limited, the Holding Company		
Total.....	<u>175,856</u>	<u>175,856</u>
SCHEDULE 2		
RESERVES & SURPLUS		
Capital Reserve :		
Profit on re-issue of Forfeited Shares		
As per last Balance Sheet	14	14
Share Premium Account :		
As per last Balance Sheet	432,839	432,839
General Reserve :		
As per last Balance Sheet	468,806	368,806
Add:Transfer from Profit and Loss account	<u>35,000</u>	<u>100,000</u>
	503,806	468,806
Profit and Loss Account	1,065,794	812,976
Total.....	<u>2,002,453</u>	<u>1,714,635</u>

**Schedules forming part of the Balance Sheet
 as at December 31, 2007**
SCHEDULE 3
FIXED ASSETS (Refer note 1(B) of Schedule 18)

(Rupees '000)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Opening AS AT 01/01/2007	Additions	Deductions/ Adjustment	AS AT 31/12/2007	Opening AS AT 01/01/2007	For the Year	Deductions/ Adjustment	AS AT 31/12/2007	AS AT 31/12/2007	AS AT 31/12/2006
FREE-HOLD LAND	6,062 (6,062)	—	—	6,062 (6,062)	—	—	—	—	6,062	(6,062)
LEASE-HOLD LAND	17,143 (17,143)	—	—	17,143 (17,143)	1,437 (1,197)	240 (240)	—	1,677 (1,437)	15,466	(15,706)
BUILDINGS	291,246 (278,719)	4,414 (12,527)	14,335 —	281,325 (291,246)	58,885 (51,165)	7,795 (7,720)	2000 —	64,680 (58,885)	216,645	(232,361)
PLANT & MACHINERY AND FACTORY EQUIPMENT	2,357,898 (2,285,046)	19,386 (74,281)	2,915 (1,429)	2,374,369 (2,357,898)	1,148,698 (1,032,307)	119,460 (117,484)	1,615 (1,093)	1,266,543 (1,148,698)	1,107,826	(1,209,200)
FURNITURE, FIXTURES & OFFICE EQUIPMENT	87,959 (85,910)	2,222 (2,693)	1,456 (644)	88,725 (87,959)	46,480 (41,908)	5,097 (4,944)	364 (372)	51,213 (46,480)	37,512	(41,479)
VEHICLES	32,394 (24,278)	3,718 (9254)	3,954 (1,138)	32,158 (32,394)	11,263 (9,449)	2,965 (2,315)	1,638 (501)	12,590 (11,263)	19,568	(21,131)
SUB TOTAL	2,792,702 (2,697,158)	29,740 (98,755)	22,660 (3,211)	2,799,782 (2,792,702)	1,266,763 (1,136,026)	135,557 (132,703)	5,617 (1,966)	1,396,703 (1,266,763)	1,403,079	(1,525,939)
CAPITAL WORK IN PROGRESS	42,240 (69,367)	208,026 (67,407)	7,778 (94,534)	242,488 (42,240)					242,488	(42,240)
TOTAL	2,834,942 (2,766,525)	237,766 (166,162)	30,438 (97,745)	3,042,270 (2,834,942)					1,645,567	(1,568,179)

NOTES:

- Buildings include cost of shares of the face value of One thousand rupees.
- Buildings include office premises at Mumbai amounting to Rs.375 ('000) the titles whereof are not yet clear. The Company has filed a Civil suit against the vendor for title.
- Capital Work in Progress includes advances paid amounting to Rs. 21,825 ('000) (Previous year Rs.15,742 ('000)) for procurement of capital goods.
- Figures in brackets pertain to previous year.

**Schedules forming part of the Balance Sheet
as at December 31, 2007**

(Rupees '000)

SCHEDULE 4**INVESTMENTS (At Cost)**

(Refer note 1(C) and 24 of schedule 18)

LONG TERM (Non Trade)**UNQUOTED :**1,000 Shares of Rs. 25 each of Co-operative Bank
of Baroda Limited fully paid up.

25

25

5,841, 6.75% Tax free US'64 Bonds of
Rs. 100 each of Unit Trust of India.

584

584

QUOTED :5,000 Equity Shares (Previous year 5,000) of Bank of Baroda
of Rs.10 each fully paid up.

425

425

Market Value Rs.2,298 ('000) (Previous year Rs.1,200('000))

CURRENT INVESTMENT

(Refer note 24 of Schedule 18)

UNQUOTED :2,000,000 Units of UTI Fixed Maturity Plan(Qtrly) Scheme
(Face Value of Rs.10 each)

-

20,000

116,060 Units of UTI Liquid Plus Plan Institutional Daily

Income Option Reinvestment (Face Value of Rs. 1,000 each)

116,085

4,032,351 Units of UTI Fixed Income Interval Fund Quarterly

Plan Series III Dividend Plan Reinvestment (Face Value of Rs.10 each)

40,326

2,000,000 Units of UTI Fixed Maturity Plan Quarterly Series

QFMP/1107/II- Dividend Plan - Payout (Face Value of Rs. 10 each)

20,000

3,000,000 Units of UTI Fixed Income Interval Fund Plan Series

Institutional Dividend Plan Payout (Face Value of Rs.10 each)

30,000

3,000,000 Units of UTI Fixed Income Interval Fund Plan

Half Yearly Interval dividend Plan Payout (Face Value of Rs.10 each)

30,000

98,093, Units of of UTI Liquid Cash Plan Institutional

(Face Value of Rs. 1,000 each)

100,000

Total...

237,445121,0341. Aggregate book value of quoted investments (Market value Rs.2,298 ('000)
Previous year Rs.1,200('000))

425

425

2. Aggregate book value of unquoted investments

237,020120,609237,445121,034

**Schedules forming part of the Balance Sheet
 as at December 31, 2007**

(Rupees '000)

	As at December 31, 2007	As at December 31, 2006
SCHEDULE 5		
INVENTORIES		
(Refer note 1(D) of Schedule 18)		
Stores & Spares and Furnace Oil	43,031	42,421
Raw Materials	452,443	341,472
Packaging Materials	1,414	2,092
Work-in-Process	42,553	34,244
Finished Products (Refer note 16 of schedule 18)	145,888	128,277
Traded Goods	-	156
Total....	<u>685,329</u>	<u>548,662</u>
SCHEDULE 6		
SUNDRY DEBTORS		
Unsecured		
Debts outstanding for a period exceeding six months		
Considered Good	27,164	15,101
Considered Doubtful	19,473	19,543
	<u>46,637</u>	<u>34,644</u>
Less: Provision for Doubtful Debts	19,473	19,543
	27,164	15,101
Other Debts		
Less: Provision for Doubtful Debts	862,223	870,764
Considered Good	3,127	2,457
	<u>859,096</u>	<u>868,307</u>
Total....	<u>886,260</u>	<u>883,408</u>
SCHEDULE 7		
CASH AND BANK BALANCES		
Cash on Hand	1,626	280
(includes cheques in hand Rs.1,451 ('000) previous year Rs. NIL)		
With Scheduled Banks :		
In Current Accounts	130,384	87,957
In Deposit Accounts	267,976	522,976
In Saving and Fixed Deposit Accounts		
- Employees Security Deposit	505	490
In Unclaimed Dividend Accounts	2,953	2,954
	401,818	614,377
With Non-Scheduled Bank		
(Co-operative Bank of Baroda Ltd.)		
In Current Account.	20	20
(Maximum balance during the year Rs.20('000) Previous year Rs.20('000))		
Total ...	<u>403,464</u>	<u>614,677</u>

**Schedules forming part of the Balance Sheet
as at December 31, 2007**

(Rupees '000)

	As at December 31, 2007	As at December 31, 2006
SCHEDULE 8		
LOANS AND ADVANCES		
(Unsecured and considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received		
Considered Good	94,767	70,563
Considered Doubtful	3,218	3,218
	<u>97,985</u>	<u>73,781</u>
Less: Provision for Doubtful Advances	3,218	3,218
	<u>94,767</u>	<u>70,563</u>
Balance with Central Excise	22,835	16,869
Balance with Customs	2,660	1,561
Advance payment of Income Tax (Net of provision)	33,737	23,679
Interest income accrued but not due	413	493
Total.....	<u>154,412</u>	<u>113,165</u>
SCHEDULE 9		
LIABILITIES		
Acceptances	1,145,603	1,256,766
Sundry Creditors *	206,972	184,620
Interest Accrued but not due	5,309	12,142
Unclaimed Dividend **	2,953	2,954
Other Liabilities	124,086	146,696
Total.....	<u>1,484,923</u>	<u>1,603,178</u>
* Balance due to SSI units Rs. Nil.(Previous Year nil) (Refer note 22 of Schedule 18)		
** Includes due to Investor Education & Protection Fund Rs. Nil.(Previous Year Nil)		
SCHEDULE 10		
PROVISIONS		
Proposed Dividend	52,757	52,757
Tax on Proposed Dividend	8,966	7,399
Total.....	<u>61,723</u>	<u>60,156</u>

**Schedules forming part of the Profit and Loss Account
 for the year ended December 31, 2007**

(Rupees '000)

	Year Ended December 31, 2007	Year Ended December 31, 2006
SCHEDULE 11		
SALES AND RELATED INCOME		
(Refer note 1 (E) of Schedule 18)		
Sales (Refer note 15 of Schedule 18)	6,394,267	5,640,571
Commission - Indent Business	37,094	35,280
Storage Charges	7,819	8,003
Total.....	<u>6,439,180</u>	<u>5,683,854</u>
SCHEDULE 12		
OTHER INCOME		
Service Income- Research & Development	1,311	7,471
Sundry Receipts	5,961	10,114
Interest Income (Gross) (Tax Deducted at Source Rs.5316 ('000) Previous year Rs.4,412 ('000)) (Includes interest from Long term unquoted investment Rs.39 ('000) (Previous year Rs.39 ('000))	24,199	20,780
Compensation received (Refer note 8 of Schedule 18)	-	4,500
Insurance claim received	-	7,396
Dividend on long term quoted Investments	33	33
Dividend on short term unquoted Investments	11,716	-
Profit on Assets sold/discarded	11,930	4
Provisions for Doubtful debts written back	34	526
Total.....	<u>55,184</u>	<u>50,824</u>
SCHEDULE 13		
COST OF TRADED GOODS SOLD		
Opening Stock	156	5,137
Add: Purchases *	<u>165,869</u>	<u>82,204</u>
	166,025	87,341
Less: Closing Stock	-	156
Total.....	<u>166,025</u>	<u>87,185</u>
* Net of captive consumption of Rs.156 ('000)		
SCHEDULE 14		
PERSONNEL COST		
Salaries, Wages and Bonus	134,394	119,719
Contribution to Provident and other Funds	13,335	10,419
Welfare Expenses	17,463	15,520
Total.....	<u>165,192</u>	<u>145,658</u>

**Schedules forming part of the Profit and Loss Account
for the year ended December 31, 2007**

	Year Ended December 31, 2007	Year Ended December 31, 2006
(Rupees '000)		
SCHEDULE 15		
MANUFACTURING AND OTHER EXPENSES		
Stores and Spares consumed	21,349	19,384
Processing Charges	6,054	6,219
Power and Fuel	197,492	177,602
Packing Material	39,370	34,984
Environment Expenses	2,892	2,718
Repairs :		
Buildings	1,443	2,405
Plant and Machinery	15,280	12,883
Others	<u>2,939</u>	<u>2,060</u>
	19,662	17,348
Rent	2,781	3,715
Rates & Taxes	1,610	976
Insurance	12,944	13,146
Printing & Stationery	1,401	1,495
Communication Expenses	3,923	4,313
Directors' Fees	500	540
Advertisements and Publicity	628	1,470
Legal and Professional Charges *	27,818	23,926
Travelling & Conveyance Expenses	8,751	10,346
Auditors' Remuneration (Refer note 9 of Schedule 18)	2,158	2,020
Donations	224	291
Write off/Loss on Assets Sold	3,954	682
Foreign Exchange Fluctuation (Net)	3,396	14
Bad Debts/Advances & Sundry balances written off	34	207
Provision for Doubtful Debts and Advances	669	2,527
Bank Charges & Other Financial Charges	11,689	10,052
Miscellaneous Expenses	17,029	16,669
Total...	<u>386,328</u>	<u>350,644</u>
*Includes reimbursement of common cost of Rs. 20,066 (000) (Previous year Rs. 18,780 ('000))		
SCHEDULE 16		
SELLING AND DISTRIBUTION EXPENSES		
Rebates and Discounts	123,790	116,945
Commission on Sales	83,284	75,162
Freight and Forwarding Expenses	90,813	85,142
Sales Promotion Expenses	3,049	3,319
Total....	<u>300,936</u>	<u>280,568</u>
SCHEDULE 17		
(INCREASE) / DECREASE IN STOCKS		
Closing Stock :		
Finished Products	145,888	128,277
Work-in-Process	42,553	34,244
	188,441	162,521
Less: Opening Stock :		
Finished Products	128,277	99,503
Work-in-Process	34,244	44,856
	162,521	144,359
Excise Duty- on Increase / (Decrease) on Finished Goods	448	5,592
(INCREASE) / DECREASE	<u>(25,472)</u>	<u>(12,570)</u>

SCHEDULE –18**Notes forming part of the Financial Statements for the year ended December 31, 2007****1. SIGNIFICANT ACCOUNTING POLICIES:****A. Basis of Accounting:**

The financial statements are prepared under historical cost convention on an accrual basis and comply in all material respects with all applicable accounting principles in India, the applicable accounting standards notified u/s 211(3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.

B. Fixed Assets & Depreciation:

- i) Fixed Assets are stated at cost less accumulated depreciation. Cost comprises of cost of acquisition, cost of improvements and any attributable cost of bringing the asset to the condition for its intended use. Interest on loans taken for procurement of specific assets accrued up to the date of acquisition/installation of the said assets is capitalised.
- ii) Depreciation for the year has been provided on all the fixed assets (except in the case of leasehold land which is being amortised over the period of the lease) on the Straight Line Method at the rates specified as per Schedule XIV of the Companies Act, 1956.

C. Investments:

- i) Investments, being long term, are stated at cost, less permanent diminution in value, if any.
- ii) Current Investments are stated at cost or fair value whichever is lower.
- iii) Income on investment:
Dividend income is accounted when the right to receive is established.

D. Inventories:

Inventories are valued at the lower of cost and net realizable values, which are determined as follows:

- i) Raw Materials, Packing Materials, Stores and Spares are valued at weighted average cost after taking credit for CENVAT, wherever applicable.
- ii) Work in process and Material in transit (including stock lying at terminals) are valued at cost.
- iii) Finished goods and traded goods are valued at lower of cost and net realizable value.
- iv) Customs Duty and Excise Duty as the case may be, are included in the cost of finished products, traded goods and raw materials lying in stock.

E. Revenue recognition:

The Company recognizes sales at the point of dispatch of goods to the customers. Sales are net of Sales Tax, Excise Duty and returns.

Revenue in respect of Duty Draw back, Insurance and other claims is recognised only when these claims are accepted.

F. Research and Development:

Capital expenditure on Research and Development is treated in the same manner as Fixed Assets. The Revenue expenditure on Research and Development is charged off as an expense in the year in which it is incurred.

G. Foreign Currency Transactions:

The transactions in Foreign Currencies are accounted at the exchange rate prevailing on the date of transactions. Foreign Currency Monetary assets and liabilities not covered by forward contract are restated at rates prevailing at the year end and resultant exchange differences arising on payment or conversion of assets/liabilities is recognised as income or expense in the year in which they arise.

In respect of forward contracts assigned to the foreign currency assets as at the balance sheet date, the proportionate premium/discount for the period up to the date of balance sheet is recognized in the profit and loss account. The exchange difference measured by the change rate between the inception of forward contract and date of balance sheet is applied on foreign currency amount of the forward contract and is recognized in the profit and loss account.

SCHEDULE –18 (Contd.)

Notes forming part of the Financial Statements for the year ended December 31, 2007

H. Taxes on Income:**Current Tax:**

Provision for Income Tax (including Wealth Tax) and Fringe Benefit tax are determined in accordance with the provisions of Income Tax Act, 1961.

Deferred Tax Provision:

Deferred tax is recognised, on timing differences, being the difference between the taxable income and accounting income that originate in one year and are capable of reversal in one or more subsequent years.

I. Retirement Benefits:

- a) In respect of Gratuity, the Company's contributions to the Group Gratuity-Cum-Life Insurance Policy of Life Insurance Corporation of India (LIC) are charged against revenue.
- b) Company's Contributions to Provident Fund and Superannuation Fund are being charged to revenue.

J. Provision and Contingent Liabilities:

The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for contingent liability is made when there is possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect current best estimates.

K. Impairment of Asset:

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. If such recoverable amount of asset or the recoverable amount of cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Profit and Loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

SCHEDULE –18 (Contd.)

Notes forming part of the Financial Statements for the year ended December 31, 2007

	2007 Rs. '000	2006 Rs. '000
2. CONTINGENT LIABILITIES NOT PROVIDED FOR:		
a) Disputed demands :		
- of Income Tax	35,173	21,785
- of Excise Duty	34,380	33,840
- of Sales Tax	5,739	5,739
b) Claims against the Company not acknowledged as debt	87,687	86,983
3. CAPITAL COMMITMENT:		
Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of Capital advance)	12,997	84,691
4. PAYMENT TO MANAGING DIRECTOR :		
Remuneration to Managing Director :		
Salary*	21,300	20,300
Contribution to Provident Fund	900	504
Monetary value of perquisites	134	426
	<u>22,334</u>	<u>21,230</u>
[* Includes Rs. 10,500 ('000) towards annual performance bonus for the year 2007 in pursuance of the terms of agreement (Previous Year Rs. 14,000 ('000)).		
Computation of Net Profit in accordance with Section 349 and 309 (5) of the Companies Act, 1956		
Profit before taxes as per Profit and Loss account	541,723	418,786
Add : Directors' sitting fees	500	540
Managerial Remuneration	22,334	21,230
Loss on sale of Fixed Assets	3,954	682
	<u>568,511</u>	<u>441,238</u>
Less : Profit on sale of Fixed Assets	11,930	4
Compensation received	-	4,500
Net Profit in accordance with Section 349 of the Companies Act, 1956.	<u>556,581</u>	<u>436,734</u>
Maximum Remuneration @5% of Net Profit (in accordance with Section 309(3) of the Companies Act, 1956.)	<u>27,829</u>	<u>21,837</u>
Remuneration as above	<u>22,334</u>	<u>21,230</u>

SCHEDULE –18 (Contd.)**Notes forming part of the Financial Statements for the year ended December 31, 2007**

5. The tax year for the company is the financial year ending March 31 and the provision for taxation has been calculated for the year ending December 31, 2007. The ultimate tax liability will be determined on the basis of the figures for the period April 1, 2007 to March 31, 2008. The net deferred tax liability has been provided in Profit & Loss account as per Accounting Standard 22 -'Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India as detailed:

	2007 Rs. '000	2006 Rs. '000
Deferred tax Assets		
Arising on account of timing differences in:		
Provision for doubtful debts	7,682	9,306
Deferred tax Liability		
Arising on account of timing difference in:		
Depreciation	295,102	304,504
Others	102	102
	<u>295,204</u>	<u>304,606</u>
Net Deferred Tax Liability	<u>287,522</u>	<u>295,300</u>
Deferred Tax arising during the year		
Deferred tax Asset (Income)/(Expenses)		
Arising on account of timing differences in:		
Provision for doubtful debts	(1624)	744
Deferred tax Liability ((Income)/Expenses)		
Arising on account of timing difference in:		
Depreciation	(9402)	(8836)
Net Deferred Tax Income for the year	<u>(7,778)</u>	<u>(9,580)</u>

6. The Company has installed Wind Turbine Generators (WTG) at Lamba and Dhank in Gujarat. The Local Power Station of the Gujarat Electricity Board (GEB) grants credit for the power units generated by the WTG. Accordingly, the amount of Power and fuel consumption disclosed is net of such credit given by GEB aggregating to Rs.31,098 ('000) (Previous Year Rs. 38,321 ('000)).
7. LANXESS India Private Limited, Holding Company and Mr.Rakesh Agrawal, his family members and associated Companies, the promoters of the Company have informed the Company that they have entered into an agreement on June 28, 2007 to sell their shares in the Company to M/s.INEOS ABS (Jersey) Ltd. (a Co. controlled by the British Chemical Company INEOS Group Ltd.). Pursuant to the above, M/s.INEOS ABS (Jersey) Ltd vide letter of offer dated February 8, 2008 has given cash offer at Rs. 201 (Rupees two hundred one only) for fully paid up Equity share of Rs. 10 each to acquire upto 3,517,125 Equity shares representing 20% of the voting share capital.
8. The Company has received Rs. 4,500 ('000) from LANXESS India Private Limited as compensation for the exclusion of Semi Crystalline Product from the agency relationship with LANXESS Group of Companies for the previous year ended December 31, 2006.

9. **Payments to Auditors :**

Audit fees	1,400	1,150
Tax Audit Fees	100	100
Others (Certification etc.)	600	750
Expenses Reimbursed	58	20
	<u>2,158</u>	<u>2,020</u>
10. Research & Development Expenditure	<u>8,334</u>	<u>9,518</u>

SCHEDULE –18 (Contd.)

Notes forming part of the Financial Statements for the year ended December 31, 2007

11. The Company manufactures and sells ABS and SAN and does trading of Polycarbonates which belongs to the same product group i.e. "Highly Specialized Engineering Thermoplastics". The products have the same risks and returns, which are predominantly governed by market conditions, namely demand and supply position. The Company basically sells all the three products within the country and hence the segment based on geographical risk factors which may be present in different countries is not applicable. Thus, there is only one identified reportable segment.
12. Disclosure of the relationship and transactions with the related parties as defined in Accounting Standard 18-'Related Party Disclosures', issued by The Institute of Chartered Accountants of India are as follows:

RELATED PARTY TRANSACTIONS:**List of Related Parties with whom transactions have taken place during the year 2007**

(as identified and certified by the management)

Holding Company (holds 50.97 % of the equity share capital as on 31st December, 2007.)**LANXESS India Private Limited**
Mumbai

Ultimate Holding Company

LANXESS Deutscheland GmbH
Germany**Other Related parties****LANXESS Hongkong Limited**
Hongkong**LANXESS (Thailand) Co. Ltd.**
(now Ineos ABS Co. (Thailand) Ltd)
Thailand**LANXESS Corporation**
(now Ineos Corporation USA)
Pittsburg, USA**LANXESS S.A.-PNR**
Argentina**LANXESS Ind Prods Qumis e Plasticos Ltd.**
Brazil**Lustran Polymers S.L**
Spain**Red Earth Art Gallary Pvt.Ltd.**
Vadodara**Key Managerial Personnel**
Managing Director

Mr. R.S. Agrawal

Schedule 18 (Contd.)

Notes forming part of Financial Statements for the year ended December 31, 2007

RELATED PARTY TRANSACTIONS:

Rs.'000

	31st December 2007				31st December 2006			
	Holding Company	Other Related parties	Key managerial personnel	TOTAL	Holding Company	Other Related parties	Key managerial personnel	TOTAL
1. Purchase of goods LANXESS Deutschland GmbH LANXESS India Private Limited Lustran Polymers L.S.	261	7,723		261 7,723	14,276			14,276
	261	7,723		7,984	14,276			14,276
2. Sale of Goods LANXESS SA-PNR Argentina LANXESS Ind Prods Qumis e Plasticos Ltd. -Brazil						13,248 6,391		13,248 6,391
						19,639		19,639
2(a). Sale of fixed assets * Red Earth Art gallery Pvt.Ltd. * profit on sale of asser sold Rs.4,550(000)		16,792		16,792				
		16,792		16,792				-
3. Rendering of Services LANXESS Deutschland GmbH LANXESS Corporation USA LANXESS (Thailand) Co. Ltd.	1,252	270 2,758		1,252 270 2,758	7,435	95 511		7,435 95 511
	1,252	3,028		4,280	7,435	606		8041
4. Receiving of Services LANXESS Ind Prods Qumis e Plasticos Ltd. LANXESS Deutschland GmbH	3,924	637		637 3,924				
	3,924	637		4,561				-
5. Compensation received for termination of SCP indenting business. LANXESS India Private Ltd.					4,500			4,500
					4,500			4,500
6. Managerial Remuneration Mr. R.S. Agrawal			22,334	22,334			21,230	21,230
7. Outstanding Balances as on 31st December 2007 Balances of Debtors LANXESS Hongkong Ltd. LANXESS (Thailand) Co. Ltd. LANXESS Corporation USA LANXESS Deutschland GmbH LANXESS SA-PNR Argentina	51	822 3,529 234		822 3,529 234 51	2,873	1,452 771 38 13,248		1,452 771 38 2,873 13,248
	51	4,585	-	4,636	2,873	15,509	-	18,382

Schedule 18 (Contd.)

Notes forming part of Financial Statements for the year ended December 31, 2007

	2007 Rs. '000		2006 Rs. '000	
13. The Company manufactures/trades in Polymers. The relevant particulars are as under :				
Particulars regarding capacities and production (as certified by the Managing Director)	ABS	SAN	ABS	SAN
Licensed capacity p.a.	Resins MT	Resins MT	Resins MT	Resins MT
Installed capacity (on triple shift working) p.a.	-Not Applicable-	-Not Applicable-	-Not Applicable-	-Not Applicable-
Actual Production :	50,000	60,000	50,000	60,000
	49,427	44,563	46,059	40,658
Notes:				
Production includes quantity used for captive consumption.				
In terms of notification no. 477(E) dt. 25.07.1991, issued by the Department of Industrial Development, Ministry of Industry, Govt. of India, all the above items have been delicensed.				
14. Consumption of raw materials* :	Qty.	Value	Qty.	Value
Acrylonitrile	MT	Rs. '000	MT	Rs. '000
Butadiene	13,539	1,026,414	12,355	884,003
Styrene	7,695	396,014	7,067	470,328
Others	36,717	2,175,328	33,952	1,878,211
		358,420		330,756
		<u>3,956,176</u>		<u>3,563,298</u>
* Includes usance interest Rs.54,884('000)(Previous year Rs.44,364('000)) and exchange gain Rs.18,544('000)(previous year loss Rs.15,682('000))				
15. Sales :				
ABS Resins	49,194	5,353,408	46,087	4,805,056
SAN Resins	10,049	871,026	8,959	750,927
Makrolon - Trading		-	8	1,174
Others - Trading		169,833		83,414
		<u>6,394,267</u>		<u>5,640,571</u>
16. Stocks of finished goods :				
a) Opening Stock :				
ABS Resins	847	78,462	875	69,704
SAN Resins	645	49,815	476	29,799
	<u>1,492</u>	<u>128,277</u>	<u>1,351</u>	<u>99,503</u>
Makrolon (Traded goods)	1	156	35	5,137
	<u>1493</u>	<u>128,433</u>	<u>1,386</u>	<u>104,640</u>
b) Closing Stock :				
ABS Resins	1,080	96,991	847	78,462
SAN Resins	683	48,897	645	49,815
	<u>1,763</u>	<u>145,888</u>	<u>1,492</u>	<u>128,277</u>
Makrolon (Traded goods)	-	-	1	156
	<u>1,763</u>	<u>145,888</u>	<u>1,493</u>	<u>128,433</u>

Schedule 18 (contd.)

Notes forming part of the Financial Statements for the year ended December 31, 2007

	2007 Rs. '000		2006 Rs. '000	
17. Value of Imports on CIF basis :				
Raw Materials	3,327,615		2,874,981	
Capital Goods	35,197		7,697	
Stores & Spares	3,092		2,108	
Traded Goods	86,067		75,716	
	<u>3,451,971</u>		<u>2,960,502</u>	
18. Value of Imported & Indigeneous : Raw Materials and Stores consumed.	Value	%	Value	%
(a) Raw Materials :				
Imported	3,421,521	86.49	3,112,854	87.36
Indigenous	534,655	13.51	450,444	12.64
	<u>3,956,176</u>	<u>100.00</u>	<u>3,563,298</u>	<u>100.00</u>
(b) Stores & Spares :				
Imported	4,233	19.83	2,948	15.21
Indigenous	17,116	80.17	16,436	84.79
	<u>21,349</u>	<u>100.00</u>	<u>19,384</u>	<u>100.00</u>
19. Expenditure in Foreign Currency :				
Travelling Expenses	674		725	
Professional & Other service fees	3,924		-	
Others	1,212		362	
	<u>5,810</u>		<u>1,087</u>	
20. Earnings in Foreign Currency :				
FOB value of exports	31,486		53,821	
Service Income -Research & Development	1,311		7,471	
Commission on Indenting Business	37,094		35,280	

21. The Company's significant leasing arrangements are mainly in respect of residential and office premises. The aggregate lease rentals payable on these leasing arrangements are charged as rent under "Manufacturing and other expenses" in Schedule 15.

These leasing arrangements are for a period not exceeding five years and are in most cases renewable by mutual consent, on mutually agreeable terms.

22. Under the Micro, Small and Medium Enterprises Development Act, 2006, which came into force on October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises. The Company is in the process of compiling relevant information from its suppliers about their coverage under the Act. Since the relevant information is not readily available, no disclosures have been made in the Accounts.

23. The Finance Act, 2001 has introduced, with effect from Assessment Year 2002-2003 (effective April 01, 2001), detailed Transfer Pricing Regulations for computing the taxable income and expenditure from 'International transaction' between 'Associated enterprises' on an 'arm's length' basis. These regulation, inter alia, also require the maintenance of prescribed documents and information including furnishing a report from an Accountant on or before October 31, 2008.

For the year March 31, 2008, the Company will undertake a transfer pricing study and obtain the prescribed certificate of the Accountant to comply with the said transfer pricing regulations.

Schedule 18 (contd.)**Notes forming part of Financial Statements for the year ended December 31, 2007**

24. Details of Current Investments bought and sold during the year

Name of the Fund	2007		2006	
	Purchase of Units		Purchase of Units	
	No of units	Amount (Rupees '000)	No of units	Amount (Rupees '000)
UTI Fixed Maturity Plan Quarterly Series QFMP/0307/II - Dividend Plan - Reinvestment (Face Value of Rs. 10 each)	3,000,000	30,000	-	-
UTI Liquid Cash Plan Institutional Daily Income Option Reinvestment (Face Value of Rs. 1,000 each)	-	-	98,093	100,000
UTI Fixed Maturity Plan Quarterly Series QFMP/1206/II - Dividend Plan - Payout (Face Value of Rs. 10 each)	2,000,000	20,000	1,999,020	20,000
UTI Maturity Plan Quarterly Series QFMP 0807/1 Institutional Dividend Reinvestment Plan (Face Value of Rs. 10 each)	3,000,000	30,000	-	-
UTI Fixed Maturity Plan HFMP 0507 - Institutional Dividend Plan payment (Face Value of Rs. 10 each)	5,000,000	50,000	-	-
UTI Fixed Maturity Plan QFMP 0907 - Institutional Dividend Plan payment (Face Value of Rs. 10 each)	2,000,000	20,000	-	-
UTI Liquid Plus Plan Institutional Daily Income Option Reinvestment (Face Value of Rs. 1,000 each)	59,994	60,000	-	-
UTI Liquid Plus Plan Institutional Daily Income Option Reinvestment (Face Value of Rs. 1,000 each)	162,496	162,500	-	-
UTI Fixed Income Interval Fund-Quarterly Plan Series III Dividend Plan Reinvestment (Face Value of Rs. 10 each)	3,999,740	40,000	-	-
UTI Fixed Maturity Plan Quarterly Series QFMP/1107/II - Dividend Plan - Payout (Face Value of Rs. 10 each)	2,000,000	20,000	-	-
UTI Fixed Income Interval Fund Plan Series Institutional Dividend Plan Payout (Face Value of Rs. 10 each)	3,000,000	30,000	-	-
UTI Fixed Income Interval Fund Plan Half Yearly Interval Dividend Plan Payout (Face Value of Rs. 10 each)	3,000,000	30,000	-	-
Total	27,222,230	492,500	2,097,113	120,000

Name of the Fund	2007		2006	
	Redemption of Units		Redemption of Units	
	No of units	Amount (Rupees '000)	No of units	Amount (Rupees '000)
UTI Fixed Maturity Plan Quarterly Series QFMP/1206/II - Dividend Plan - Payout (Face Value of Rs. 10 each)	1,999,020	20,000	-	-
UTI Liquid Cash Plan Institutional Daily Income Option Reinvestment (Face Value of Rs. 1,000 each)	100,545	100,000	-	-
UTI Fixed Maturity Plan Quarterly Series QFMP/0307/II - Dividend Plan - Reinvestment (Face Value of Rs. 10 each)	3,000,000	30,000	-	-
UTI Fixed Maturity Plan Quarterly Series QFMP/1206/II - Dividend Plan - Payout (Face Value of Rs. 10 each)	2,000,000	20,000	-	-
UTI Maturity Plan Quarterly Series QFMP 0807/1 Institutional Dividend Reinvestment Plan (Face Value of Rs. 10 each)	3,000,000	30,000	-	-
UTI Fixed Maturity Plan HFMP 0507 - Institutional Dividend Plan payment (Face Value of Rs. 10 each)	5,000,000	50,000	-	-
UTI Fixed Maturity Plan QFMP 0907 - Institutional Dividend Plan payment (Face Value of Rs. 10 each)	2,000,000	20,000	-	-
UTI Liquid Plus Plan Institutional Daily Income Option Reinvestment (Face Value of Rs. 1,000 each)	30,000	30,000	-	-
UTI Liquid Plus Plan Institutional Daily Income Option Reinvestment (Face Value of Rs. 1,000.2140 each)	29,994	30,000	-	-
UTI Liquid Plus Plan Institutional Daily Income Option Reinvestment (Face Value of Rs. 1,000.2140 each)	50,000	50,000	-	-
Total	17,209,559	380,000	-	-

Schedule 18 (Contd.)**Notes forming part of Financial Statements for the year ended December 31, 2007****25 Employee benefits**

During the year the company has adopted Accounting Standard 15 (revised 2005) 'Employee Benefits'
 The Company has classified the various benefits provided to employees as under:

1 Define contribution plans

- a. Provident Fund
- b. Superannuation Fund
- c. State defined contribution plan
 - i. Employer's contribution to Employee's state insurance

During the year, the Company has recognised the following amounts in the Profit and Loss Account:

	Rs. ('000)
- Employer's Contribution to Provident Fund	6,662
- Employer's Contribution to Superannuation Fund	1,882
- Employer's Contribution to Employee's state insurance	847

Included in Contribution to Provident Fund and other funds (Refer Schedule 14)

2 Defined Benefit Plans

Contribution to Gratuity Fund (Funded Scheme)

In accordance with Accounting Standard 15 (Revised 2005), actuarial valuation was performed in respect of the aforesaid defined benefit plans based on the the following assumptions:

Discount Rate (per annum)	8.00%
Rate of increase in Compensation levels (per annum)	5.00%
Rate of Return on Plan Assets (for Funded Scheme)	9.00%

A) Changes in the Present Value of Obligation

	Rs. ('000)
Present value of Obligation as at January 1, 2007	23,072
Interest cost	1,846
Current Service Cost	1,525
Benefits Paid	(3,531)
Actuarial (gain)/loss on obligations	536
Present value of Obligation as at December 31, 2007	23,448

B) Changes in the Fair Value of Plan Assets

(For Funded Scheme)

	Rs. ('000)
Present Value of Plan Assets as at January 1, 2007	24,996
Actual Return on Plan Assets	2,094
Contributions	1,715
Benefits Paid	(3,531)
Fair Value of Plan Assets as at December 31, 2007	25,274

C) Reconciliation of Present Value of Defined Benefit Obligation and the Fair Value of Assets

	Rs. ('000)
Present Value of funded Obligation as at December 31, 2007	23,448
Fair Value of Plan Assets as at the end of the year	25,274
Funded Status	1,826
Unrecognised Actuarial (gains)/losses	
Unfunded Liability/(Net Asset) Recognised in Balance Sheet	(1,826)
Included in Loans and Advances (refer Schedule 8)	

D) Amount recognised in the Balance Sheet

	Rs. ('000)
Present Value of Obligation as at December 31, 2007	23,448
Fair Value of Plan Assets as at the end of the year	25,274
Liability/(Asset) recognised in the Balance Sheet	(1,826)
Included in Loans and Advances (refer Schedule 8)	

Schedule 18 (Contd.)

Notes forming part of Financial Statements for the year ended December 31, 2007

E) Expenses recognised in the Profit and Loss Account	Rs.('000)
Current Service Cost	1,525
Interest Cost	1,846
Actual Return on Plan Assets	(2,094)
Settlement Cost/(Credit)	
Net actuarial (gain)/loss recognised in the period	536
Total Expenses recognised in the Profit and Loss Account	1,813
Included in Contribution to Provident and Other Funds (Refer Schedule 14)	

26 The company uses foreign exchange currency hedges to manage its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The Company does not use hedges for speculative purposes.

a) The outstanding forward exchange contracts for payables in foreign currency as at December 31, 2007 are :

Particulars	Number of Contracts	Currency Denomination	Foreign currency Amount in ('000)	Indian Rupees Amount in ('000)
Liabilities (Trade Payables)	9	USD	19,545.81	784,155.00

b) The period end foreign currency exposure of monetary and non-monetary items that have not been hedged are :

Particulars	Currency Denomination	Foreign currency Amount in ('000)	Indian Rupees Amount in ('000)
Assets (Trade Receivables)	USD	1.50	58.80
Assets (Loans Given)	None	Nil	Nil
Liabilities (Trade Payables)	USD	9,673.42	381,618.00
Liabilities (Loan Taken)	None	Nil	Nil

The foreign currency out standings have been translated at the rates of exchange prevailing on the Balance Sheet date in accordance with Accounting Standard 11, the effects of changes in the Foreign Exchange Rates (Revised 2003)

27 Earning Per Equity Share (EPS)

EPS is calculated by dividing the profit attributable to the equity shareholders by average number of equity shares outstanding during the year. Numbers used in calculating basic and diluted earnings per equity shares are as stated below:

Values used in calculating EPS:	2007	2006
a) Numerator : Profit After Tax (Rs.'000)	349,541	270,786
b) Denominator : Number of Equity Shares	17,585,625	17,585,625
Earning Per Share (Basic/Diluted) (Rs.)	19.88	15.40

There is no change in the number of equity shares during the period January 1, 2007 to December 31, 2007.

28 Refer Annexure for additional information to part IV of Schedule VI to the Act.

29 Figures for the Previous Year have been regrouped and reclassified wherever necessary, to conform to the current year's classification.

Signatures to Schedules 1 to 18	Dr. Hans J Kogelnik Chairman	Dr. Joerg Strassburger	} Directors
Partha Ghosh Partner (Membership No. F-55913)	R.S. Agrawal Managing Director	S.M. Kulkarni	
	S.M. Vaishnav Company Secretary	K.R.V. Subrahmanian	
For and on behalf of Price Waterhouse Chartered Accountants		Jal R. Patel	
Mumbai, Dated : February 19, 2008	Mumbai, Dated : February 19, 2008	Venkatesh Sankaran	

Schedule 18 (Contd.)

Notes forming part of Financial Statements for the year ended December 31, 2007

Additional information pursuant to Part IV of Schedule VI to the Act.

Balance Sheet Abstract And Company's General Business Profile

I. Registration Details		
Registration No.	2436	State Code 04
Balance Sheet Date	31/12/07	
	Date Month Year	
II. Capital Raised during the Year (Amount in Rs. Thousand) NIL		
	Public Issue NIL	Rights Issue NIL
	Bonus Issue NIL	Private Placement NIL
III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)		
	Total Liabilities 4020159	Total Assets 4020159
Sources of Funds	Paid-Up Capital 175856	Reserves & Surplus 2002453
	Secured Loans NIL	Unsecured Loans NIL
Application of Funds	Net Fixed Assets 1645567	Investments 237445
	Net Current Assets 582819	Miscellaneous Expenditure NIL
	Accumulated Losses NIL	
IV. Performance of Company (Amount in Rs. Thousands)		
	Turnover 5626465	Total Expenditure 5084742
	+ - Profit/Loss Before Tax +541723	+ - Profit/Loss After Tax +349541
	Earning Per Share in Rs. (Profit for the year / Paid up Equity) 19.88	Dividend Rate % 30.00
V. Generic Names of Three Principal Products / Services of Company (as per monetary terms)		
Item Code No.	390330	
Product Description	ACRYLONITRILE BUTADIENE-STYRENE (ABS) COPOLYMER	
Item Code No.	390320	
Product Description	STYRENE-ACRYLONITRILE (SAN) COPOLYMER	
Item Code No.	390230	
Product Description	SHEETS OF POLYMER OF STYRENE	

Dr. Hans J Kogelnik Chairman	Dr. Joerg Strassburger	} Directors
R.S. Agrawal Managing Director	S.M. Kulkarni	
S.M. Vaishnav Company Secretary	K.R.V. Subrahmanian	
	Jal R. Patel	
	Venkatesh Sankaran	

Mumbai, Dated : February 19, 2008

LANXESS ABS LIMITED

Registered Office : 6th Floor, ABS Towers, Old Padra Road, Vadodara - 390 007.

PROXY FORM

Member Folio/DP ID No. _____

No. of Shares _____

I/We, _____
of _____ being

Member / Members of LANXESS ABS Limited hereby appoint _____
of _____
or failing him _____ of _____

as my/our Proxy to attend and vote for me/us, on my/our behalf at the 35th Annual General Meeting of the Company to be held at its Regd. office at 11.00 o'clock a.m., Thursday, 17th April, 2008.

Signed this _____ day of _____ 2008.

Signature _____

Affix a 1
Rupee
Revenue
Stamp

N.B. This Proxy Form to be valid must reach the Registered Office of the Company not later than 48 hours before the time for holding the meeting.

LANXESS ABS LIMITED

Registered Office : 6th Floor, ABS Towers, Old Padra Road, Vadodara - 390 007.

ATTENDANCE SLIP

Members Folio / DP ID No. _____

Mr. / Mrs. / Miss _____
(Member's Name in Block Letters)

_____ I Certify that I am a Registered Member / Proxy for the Registered Member of the Company. I hereby record my presence at the 35th Annual General Meeting of the Company to be held at its Registered Office at 11.00 o'clock a.m. on Thursday, 17th April, 2008.

_____ If signed by proxy, his / her name

_____ Member's / Proxy's Signature

IMPORTANT NOTE :

Members / Proxy holders are requested to bring the Attendance Slip with them when they come to the meeting and hand it over at the gate after affixing their signature on it.