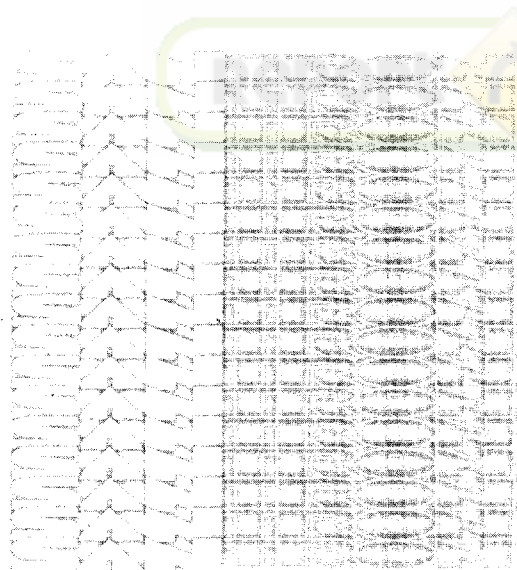
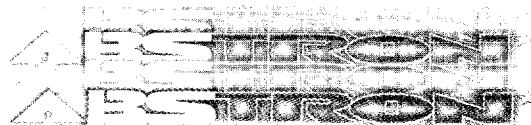
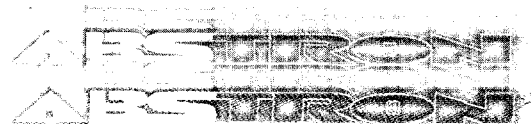
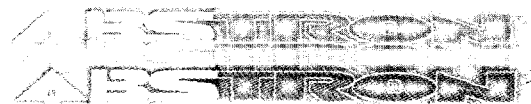
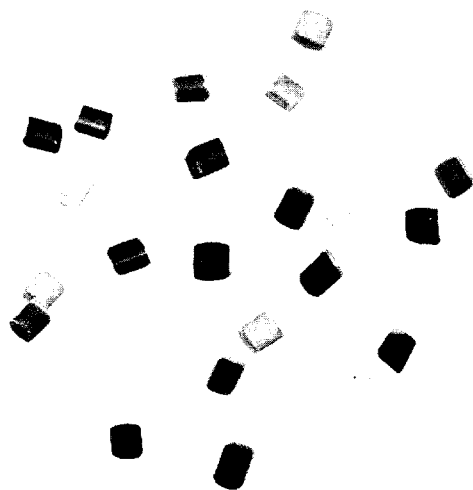
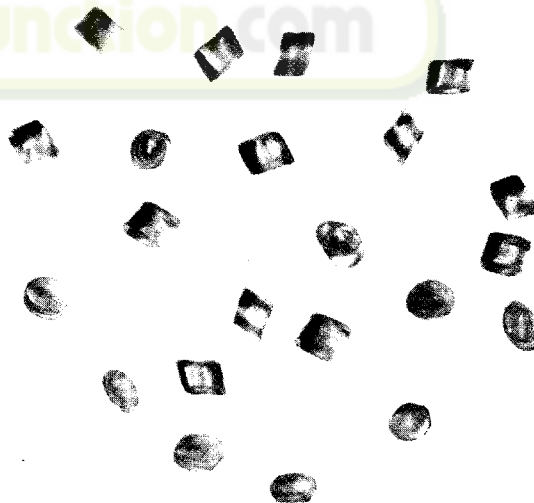


# Annual Report 2004-2005

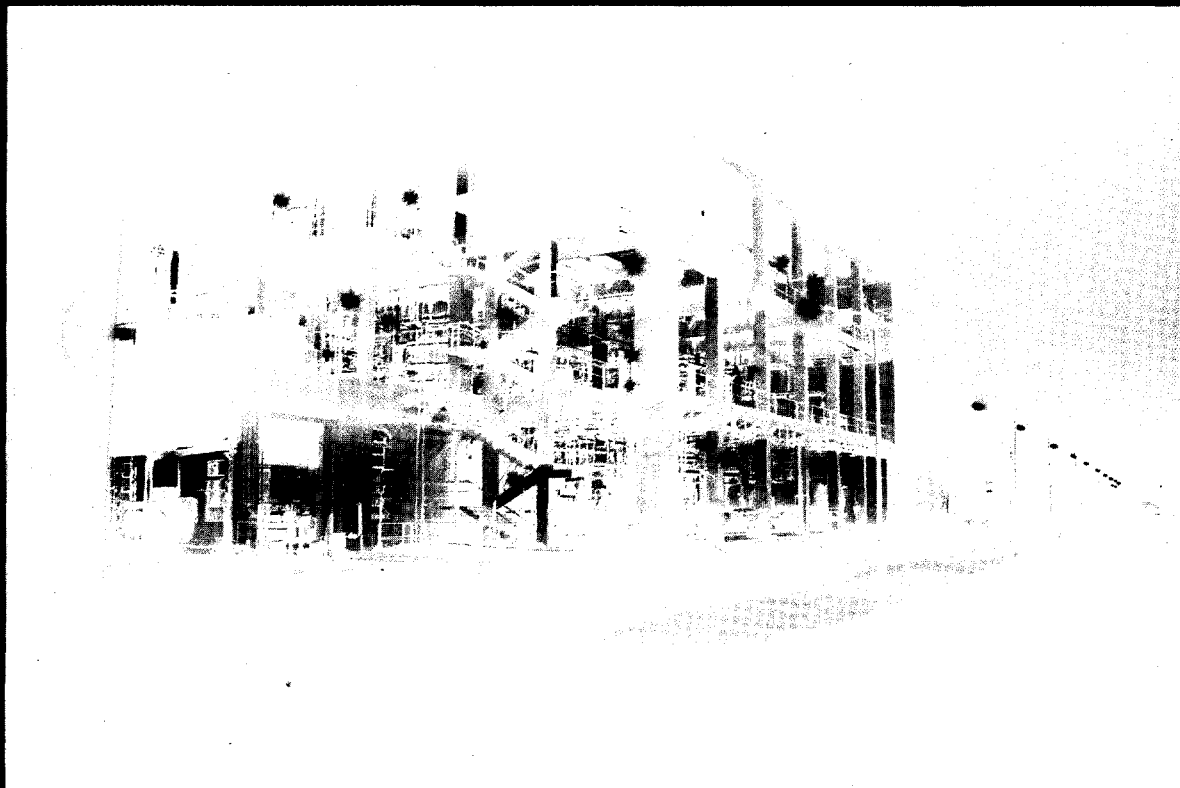


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**BHANSALI ENGINEERING POLYMERS LIMITED**

An ISO-9001:2000 Company



Works Abu Road



Works Chhindwara

# BHANSALI ENGINEERING POLYMERS LIMITED

## BOARD OF DIRECTORS

Mr. M. C. Gupta - Chairman  
 Mr. C. S. Sastry  
 Dr. Pravin P. Shah  
 Dr. W. R. Correa  
 Mr. Supriya Gupta  
 Mr. B. S. Bhesania  
 Mr. P. R. Bhansali  
 Mr. Kenji Asakawa - Executive Director  
 Mr. B. M. Bhansali - Managing Director

## AUDITORS

M/s. B.L.Dasharda & Associates  
 Chartered Accountants

## SOLICITORS

M/s. Mulla & Mulla & Craigie Blunt & Caroe

## COMPANY SECRETARY

Mr. Yogesh Singhvi

## BANKERS

Allahabad Bank  
 UTI Bank Limited

## REGISTERED OFFICE

Bhansali House,  
 A-5, Veera Desai Road,  
 Andheri (West),  
 MUMBAI - 400 053.

## WORKS

<u>Satnoor</u>	<u>Abu Road</u>
Bhansali Nagar,	SP-138-144,
Taluka : Sausar,	Ambaji Industrial Area,
Dist.: Chhindwara, (M.P.)	Abu Road, Dist.: Sirohi, (Rajasthan)
Pin - 480 108.	Pin - 307 026.

## MANAGEMENT TEAM

B.M.Bhansali	- Managing Director
Sunil Tandon	- Chief Executive Officer
Kenji Asakawa	- Executive Director (Technical)
Kiran Bhansali	- Executive Director (Corporate)
S.S.Ladi	- Executive Director (Commercial)
R.K.Soni	- President (Operations)



## NOTICE

**NOTICE** is hereby given that the Twenty First Annual General Meeting of the Members of **Bhansali Engineering Polymers Limited** will be held at Walchand Hirachand Hall, Indian Merchants' Chamber, Veer Nariman Road, Churchgate, Mumbai 400020 on Saturday, 23<sup>rd</sup> day of July 2005, at 11.30 a.m. to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March 2005 and Profit and Loss Account for the period ended on that date together with Reports of the Directors and Auditors thereon.
2. To Declare dividend on Equity Shares of the Company.
3. To appoint a Director in place of Mr. C.S.Sastry, who retires by rotation at this Annual General Meeting and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. B.S.Bhesania, who retires by rotation at this Annual General Meeting and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Dr. Pravin P. Shah, who retires by rotation at this Annual General Meeting and being eligible, offers himself for re-appointment.
6. To appoint Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board to fix their remuneration.

By order of the Board  
For Bhansali Engineering Polymers Ltd.

Place : Mumbai  
Dated: 17<sup>th</sup> May 2005

B. M. Bhansali  
Managing Director

### NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL, TO VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER.**
2. Proxies, in order to be effective, must be received at the Company's Registered Office not later than 48 (fortyeight) hours before the time fixed for holding the meeting.
3. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to send their queries to the Share Department, so as to reach the registered office of the Company at least seven days before the date of the meeting, to enable the Company to make available the required information at the meeting, to the extent possible.
4. The Register of Members and Share Transfer Books will remain closed from Saturday, 16<sup>th</sup> July 2005 to Saturday, 23<sup>rd</sup> July 2005 (both days inclusive).
5. Payment of dividend, if any, declared at the Annual General Meeting, will be made to those shareholders whose names appear on the Company's Register of Members on 15<sup>th</sup> July 2005 or their nominees. In respect of shares in dematerialized form, dividend will be paid to the beneficial owners as at the end of business hours on 15<sup>th</sup> July 2005 as per the details to be received from Depositories for the purpose. Dividend warrants shall be dispatched within thirty days from the date of the Annual General Meeting.
6. Members are requested to notify immediately any change in their address/bank mandate to their respective Depository Participant (DP) in respect of their electronic share accounts and to the Company's Registrar & Share Transfer Agent M/s. Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai- 400 078 in respect of their physical share folios.
7. Members are requested to bring their copy of Annual Report to the Meeting.
8. Members are requested to bring the Attendance Slip sent herewith duly filled for attending the Meeting.
9. Information pursuant to clause 49 of listing agreement with respect to profile of Directors seeking re-appointment is given here below.

**ADDITIONAL INFORMATION:**

Profile of Directors retiring by rotation and seeking re-appointment (in pursuant to clause 49 of the Listing Agreement).

Particulars	Mr. C.S.Sastry	Mr. B.S.Bhesania	Dr. Pravin P. Shah
Date of Birth	23.12.1931	03.11.1933	11.11.1944
Date of Appointment	14.06.1991	17.05.2003	16.08.1986
Qualifications	M.Sc., A.D.P.A (Exeter-Devon-U.K.)	B.Sc., L.L.M., Solicitor High Court, Mumbai, Solicitor Supreme Court of England & Wales, Solicitor Supreme Court of Hong Kong.	B.Com.(Hons.) Grad., C.W.A., F.C.A., Ph.D.
Expertise in specific functional areas	He entered Indian Administrative Service in 1956 and held key positions with The Government of Andhra Pradesh and the Union Government, specialising in Management, Administration & Development in the areas of Industrial Promotion, Defence & Agriculture. Retired as Secretary -Agriculture to the Govt. of India in 1989. Awarded with 'Padmashri' in 1990.	He is an eminent Solicitor of High Court, Mumbai. He is a senior partner of M/s.Mulla & Mulla & Craigie Blunt & Caroe, one of the leading law firms of the country having international recognition.	He is a well known Chartered Accountant having a successful professional career spanning over more than three decades. He holds prominence in the fields of Audit, Taxation, Finance, Company Law and Foreign Exchange.
Directorship of other Companies	a) Mahyco Research Foundation	a) Trent Ltd. b) D.G.P. Hinoday Industries Ltd. c) Gilt Edge Finance & Investments Ltd. d) Jamyad Investments Pvt. Ltd. e) India Overland Pvt. Ltd.	a) Adani Exports Ltd. b) J.M.Financial & Investment Consultancy Services Pvt. Ltd. c) J.M.Morgan Stanley Pvt. Ltd. d) Claris Lifesciences Ltd. e) Benchmark Trustee Company Ltd. f) Jai Corp. Ltd. g) Landmark Business Service Centre Pvt. Ltd. h) Landmark Financial & Investment Consultancy Pvt. Ltd. i) Macro Investment & Financial Consultants Pvt. Ltd. j) Health & Education Foundation
Chairman/Member of Committees of the Board of Companies of which he is a Director	Nil	Trent Limited - Member of Audit Committee, Remuneration Committee and Shareholders/ Investors Grievance Committee.	a) J.M.Morgan Stanley Pvt. Ltd. - Member, Audit Committee. b) Adani Exports Ltd. - Member, Audit Committee & Remuneration Committee. c) J.M.Financial & Investment Consultancy Services Pvt. Ltd. - Member, Investment Committee

By order of the Board  
For Bhansali Engineering Polymers Ltd.

Place: Mumbai  
Dated: 17<sup>th</sup> May 2005

REGISTERED OFFICE:  
Bhansali House,  
A-5, Veera Desai Road,  
Andheri (West),  
Mumbai- 400 053.

B. M. Bhansali  
Managing Director

**DIRECTORS' REPORT**

Dear Members,

Your Directors take pleasure in presenting the Twenty First Annual Report and the Audited Accounts for the nine months ended 31<sup>st</sup> March 2005.

**CHANGE IN ACCOUNTING PERIOD:**

The Company has changed its Accounting period ending from 30<sup>th</sup> June to 31<sup>st</sup> March, consequently, the current accounting period is of 9 months from 1<sup>st</sup> July 2004 to 31<sup>st</sup> March 2005. Therefore, the figures for the period ended on 31<sup>st</sup> March 2005 are not comparable with the figures of the previous period ended on 30<sup>th</sup> June 2004.

**FINANCIAL RESULTS:**

	<b>Current Accounting Period ended 31.03.2005 (9 months) (Rs.in lacs)</b>	<b>Previous Accounting Period ended 30.06.2004 (15 months) (Rs.in lacs)</b>
Sales	17551.76	9379.16
Profit / (Loss) before tax	1228.76	(251.07)
Provision for Taxation		
Current year	101.05	-
Earlier years	6.22	-
Deferred Tax	154.26	31.07
Profit / (Loss) after tax	967.23	(282.14)
Balance brought forward	827.29	1109.43
	<b>1794.52</b>	<b>827.29</b>
Proposed dividend including tax thereon	189.18	-
Balance carried to Balance Sheet	<b>1605.34</b>	<b>827.29</b>

**DIVIDEND:**

The Directors have pleasure in recommending for the consideration of the Members at the ensuing Annual General Meeting, payment of Dividend of Re. 0.10 per share (10%) for the period ended 31<sup>st</sup> March 2005 (previous period : Nil). The total outgo including tax thereon will be Rs. 189.18 lacs.

**OPERATIONS AND FUTURE PLAN:**

Your Company has achieved a record turnover of Rs.17551.76 lacs during the period under review, reflecting an increase of 212% on an annualized basis in comparison with the previous period. The overall improvement in the operations of the Company has significantly contributed towards achieving an impressive level of profitability. It is indeed commendable that during the period under review, your company has earned a net profit of Rs.967.23 lacs and cash profits of Rs.1392.86 lacs against the back drop of loss in the previous period. The significant milestones achieved during the period under review are summarised herewith:

- (a) Increase in production volume by 135%
- (b) Increase in sales volume by 152%
- (c) Increase in sales value by 212%
- (d) Increase in profit before tax by Rs.1479.83 lacs
- (e) Increase in profit after deferred tax by Rs.1249.37 lacs

It is especially important to take note of the fact that during the period under review, impressive growth could be achieved despite substantial fluctuations in the prices of monomers in the global market. It may not be out of context to mention that effective resource mobilization was the key driver in fostering this growth despite many uncertainties.

During the period under review, several important initiatives were taken to accelerate business growth through improved management practices with the objectives of achieving cost and quality leadership. Few of these are as follows:



- (a) Bringing IT to the forefront and using the same to set up better management systems e.g. Implementation of an ERP package (mySAP).
- (b) Consolidating of compounding operations at one location i.e. Abu Road and relocation of Bulk SAN manufacturing facility from Vadodara to Abu Road to mitigate uneconomic and unsustainable high cost operations at three different locations.
- (c) Embarking on an ambitious Human Resource Development Programme.

Your Company deemed it prudent to consolidate its operations during the period under review before it embarked on an ambitious expansion plan. Therefore, the programme of expanding current capacity from 48,000 TPA to 60,000 TPA planned earlier for completion by 30<sup>th</sup> June 2005 was deferred and is now scheduled to be completed by 31<sup>st</sup> March 2006.

Furthermore, the blueprint to expand the overall manufacturing capacity to 200,000 TPA is getting ready and barring unforeseen circumstances, your Company would endeavour to achieve this increase in capacity by 31<sup>st</sup> March 2007. Till these capacity enhancements are completed, it has also been decided to manufacture and market 7000 TPA Bulk SAN (Non-ABS grades) to optimise capacity utilization. For similar reasons, the Company is firming up its plan to commence manufacturing SBR Latex at its HRG plant at Satnoor and will manufacture 4000 TPA SBR Latex.

Expansion plan to achieve 200,000 TPA ABS capacity is based on captive manufacturing of HRG at Abu Road. This will not only save transportation costs estimated to be about Rs.30 crores per annum but also derive immense cost advantages from integrated manufacturing operations.

The vacated plant capacity at Satnoor would be diversified to manufacture SBR and other allied latex with an ultimate capacity of 40,000 TPA. The summarised picture of the aforesaid expansion scheme is encapsulated below:

	2005	2006	2007
<b>ABS</b>	48000 TPA	60000 TPA	200000 TPA
<b>Saleable SAN</b>	-	7000 TPA	7000 TPA
<b>SBR</b>	-	4000 TPA	40000 TPA

Your Company is also conscious of the fact that to achieve this fast paced growth strategy, cost and quality leadership is paramount. However this would not be possible without focusing on HRD initiatives, which your Company has already launched, and now we are well on our way to creating, nurturing and sustaining a vibrant, dynamic, responsive and pro-active organization.

#### **SAFETY AND ENVIRONMENT PROTECTION:**

Your Company continues to accord high priority to the areas of Safety and Environment Protection. Compliance with safety norms and regular training programs for employees for various safety measures and to increase the safety standards and awareness are an integral part of the Company's operating system.

#### **FIXED DEPOSITS:**

There were no deposits remaining unpaid/unclaimed in terms of Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposit) Rules, 1975 at the end of the period.

#### **DIRECTORS:**

The Company lost invaluable friend, philosopher & guide due to the sad demise of Mr. A. S. Gupta, Chairman of the Company, on 30.09.2004.

The Board places on record its deep gratitude and appreciation for the services rendered by Mr. A. S. Gupta as the Chairman of the Company.

Mr. Sunil Tandon has resigned as Director of the Company w.e.f. 28.09.2004. The Board places on record its appreciation for the services rendered by Mr. Sunil Tandon as Director of the company.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. C. S. Sastry, Mr. B. S. Bhesania and Dr. Pravin P. Shah, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

#### **LISTING OF SHARES ON THE NATIONAL STOCK EXCHANGE:**

During the period under review, the equity shares of the Company have been listed and admitted to dealings on the National Stock Exchange w.e.f. 21<sup>st</sup> March 2005.

**DELISTING OF SHARES:**

In accordance with a resolution passed in the last Annual General Meeting of the Company, applications were submitted for delisting of its equity shares from following Stock Exchanges:

- a) The Stock Exchange, Ahmedabad.
- b) The Delhi Stock Exchange Association Limited, New Delhi.
- c) The Calcutta Stock Exchange Association Limited, Kolkata.
- d) Madhya Pradesh Stock Exchange Association Limited, Indore.

Approval for delisting has been received from The Stock Exchange, Ahmedabad w.e.f. 9<sup>th</sup> May 2005 and remaining delisting approvals are awaited.

**PARTICULARS OF EMPLOYEES:**

A statement containing details of employees in receipt of remuneration equal to or exceeding the limits prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, is attached hereto vide Annexure-D and forms part of this report.

**DIRECTORS' RESPONSIBILITY STATEMENT:**

Pursuant to the requirements of Section 217(2AA) of the Companies Act, 1956, your Directors confirm the followings:

- In the preparation of the annual accounts, the applicable accounting standards have been followed;
- That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March 2005 and of the profit of the Company for that period;
- That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- That the annual accounts for the period ended 31<sup>st</sup> March 2005 have been prepared on a going concern basis.

**CORPORATE GOVERNANCE:**

Pursuant to Clause 49 of the Listing Agreement, a report on Corporate Governance, Management Discussion and Analysis Report and Certificate from the Auditors on compliance thereof is given in the Annexure-B and Annexure-C respectively, which form an integral part of this Report.

**AUDITORS:**

M/s B. L. Dasharda & Associates, Chartered Accountants, the Statutory Auditors of the Company retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Members are requested to appoint auditors for the current year and to authorize the Board to fix their remuneration.

**AUDITORS' REPORT:**

The observations made by the Auditors in their Report read with the relevant notes as given in the Notes on Accounts for the period ended 31<sup>st</sup> March 2005 are self explanatory and therefore do not call for any further comments under Section 217(3) of the Companies Act, 1956.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:**

The relevant data pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed hereto vide Annexure-A which forms part of this report.

**ACKNOWLEDGEMENTS:**

Your Directors take this opportunity to express their gratitude for the support and co-operation from the Banks, Statutory Authorities, Customers and Suppliers. Your Directors express their deep appreciation to the Company's employees at all levels for their relentless efforts and valuable contributions during the period.

**For and on behalf of the Board**

**Place : Mumbai  
Dated : 17<sup>th</sup> May 2005**

**M. C. GUPTA  
CHAIRMAN**



**ANNEXURE - A****PARTICULARS AS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.****A) Conservation of Energy :**

- (a) During the period under review, several Energy Conservation measures were taken which resulted in substantial reduction in power consumption per unit volume of ABS which stood at 840 KWH/Ton as against 1176 KWH/Ton in the previous period.
- (i) Power conservation measures which were adopted are as follows:
- a) ABS production was totally shifted to Bulk SAN route that consumes less power.
- b) Bulk SAN Plant production rate was increased by 7% resulting in corresponding reduction in power consumption.
- c) High output twin extruders compounding equipments were commissioned and optimum capacity utilization to reduce power consumption per ton of ABS was achieved.
- (ii) Besides above by fine tuning bulk SAN reactor temperature control system, overall fuel consumption has been reduced from 47.82 Liters per Ton-SAN to 46.41 Liters per Ton-SAN.
- (b) Total energy consumption and consumption of energy per unit of production are given in the prescribed Form 'A' hereunder.

**B) Technology Absorption :**

Details of the efforts made in Technology Absorption are given in the prescribed Form 'B' hereunder.

**C) Foreign Exchange Earnings and Outgo :**

- a) Activities relating to exports, initiatives taken to increase export, development of new export market for products and services and export plans:
- Total export during the period under review was 78 MT valued at US\$ 0.13 millions i.e. Rs.57.02 lacs.
- b) Total foreign exchange used and earned:

**(Rs.in lacs)**

Total foreign exchange used	6273.13
Total foreign exchange earned (FOB Value)	56.90

**FORM - A****(See Rule - 2)****FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY.**

<b>Period Ended</b>	<b>Period Ended</b>
<b>31.03.2005</b>	<b>30.06.2004</b>
<b>(9 Months)</b>	<b>(15 Months)</b>

**A) Power and Fuel Consumption :****i) Electricity****i) Purchased :**

Units (KWH) in lacs	135.53	137.25
Total Amount (Rs. in lacs)	631.33	694.84
Rate per KWH (Rs.)	4.66	5.06

**b) Own Generation :**

Through Diesel Generator

Units (KWH) in lacs	6.95	3.99
Unit per litre of diesel oil	2.86	2.85
Cost per unit (Rs.)	6.64	7.52

**2) Coal used in Boiler :**

Quantity (MT)	3503	4040
Total cost (Rs.in lacs)	59.48	60.66
Rate per MT (Rs.)	1697.95	1501.54

**3) L.D.O. :**

Quantity (Ltrs.)	539554	295982
Total Amount (Rs.in lacs)	124.21	55.45
Average Rate (per Ltr.)	23.02	18.74

**B) Consumption per unit of Production :**

Electricity (KWH/MT of

ABS &amp; SAN Resins) 840.58 1176.01

Coal (MT/MT of ABS Resin) 0.21 0.35

L.D.O.

(Ltrs/MT of SAN Resins) 46.41 47.82

**FORM - B****(See Rule - 2)**

Form for disclosure of particulars with respect to technology absorption.

**A) RESEARCH AND DEVELOPMENT (R & D) :-**

1. Specific areas in which R & D has been carried out by the Company and benefits derived as a result of the above R & D.

- a. The programme of developing Agglomeration Technology for manufacture of Polybutadiene latex, which was initiated in the previous period, was completed successfully during the period under review. This has resulted in achieving higher productivity and consequent cost reduction besides contributing towards improvement of ABS quality.

- b. New product formulation has been developed conforming to requisite international standard to meet specific needs of automobile industry. New ABS-PC alloy formulation with fire retardant feature of V2 has also been developed to meet requirement of electrical appliances industry.

**2. Expenditure on R & D:****(Rs.in lacs)**

A. Capital	1.12
B. Recurring	1.42
C. Total	2.54
D. Total R & D Expenditure as a percentage of total turnover.	0.01%

**B) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:**

- 1) Efforts, in brief, made towards technology absorption, adaptation, innovation and benefits derived: N.A.
- 2) Information regarding technology imported during the last five years: N.A.

**ANNEXURE – B****REPORT ON CORPORATE GOVERNANCE****(A) Company's philosophy on code of Corporate Governance:**

The Company believes in adopting best practices in the area of Corporate Governance and follows the principles of complete transparency and accountability by providing detailed information on various issues concerning the Company's business and financial performance to its shareholders.

The Board considers itself as the Trustee of its Shareholders. During the period under review, the Board continued its pursuit by adopting appropriate corporate strategies and prudent business plans. Adequate monitoring system was followed to safeguard against major risk and to ensure implementation of policies and procedures to satisfy its social, legal and ethical responsibilities.

**(B) Board of Directors:**

In terms of the Company's Corporate Governance Policy, all statutory and other significant and material information is placed before the Board to enable it to discharge its responsibilities of closely monitoring the activities of the Company.

**i) Composition of the Board**

The present strength of the Board consists of 7 Non-Executive Independent Directors (including Chairman) and 2 Whole-Time Directors, who are professionals and/or have expertise in their respective functional areas and capable of bringing in a wide range of managerial skills and business acumen.

The composition, category of Directors and their other Directorships and Membership/Chairmanship of Committees are as under:

Sr. No.	Name of Directors	Category	Number of other Companies		
			Director-ships	Committee Member-ships	Committee Chairman-ships
1	Mr. M. C. Gupta, Chairman	Non-Executive, Independent Director	1	-	1
2	Mr. Babulal M. Bhansali, Managing Director	Promoter, Executive	7	-	-
3	Mr. P. R. Bhansali	Non-Executive, Independent Director	1	-	-
4	Mr. C. S. Sastry	- do -	1	-	-
5	Dr. Pravin P. Shah	- do -	10	4	-
6	Dr. W. R. Correa	- do -	2	3	-
7	Mr. Supriya Gupta	- do -	9	5	3
8	Mr. B. S. Bhesania	- do -	5	3	-
9	Mr. Kenji Asakawa Whole-time Director with a designation of "Executive Director"	Non-Promoter, Executive	-	-	-

**ii) Meetings of Board of Directors and A.G.M.:**

The Board of Directors provide the strategic direction and thrust to the operations of the Company. During the period under review, 4 Board Meetings were held on 7<sup>th</sup> August 2004, 6<sup>th</sup> September 2004, 16<sup>th</sup> October 2004 and 21<sup>st</sup> January 2005. The Twentieth Annual General Meeting was held on 16<sup>th</sup> October 2004.