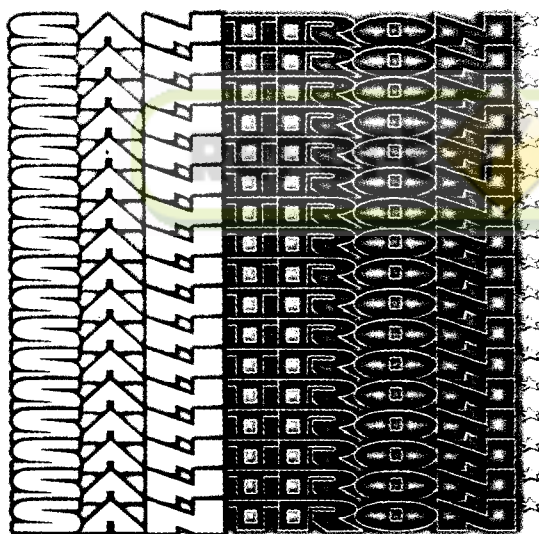
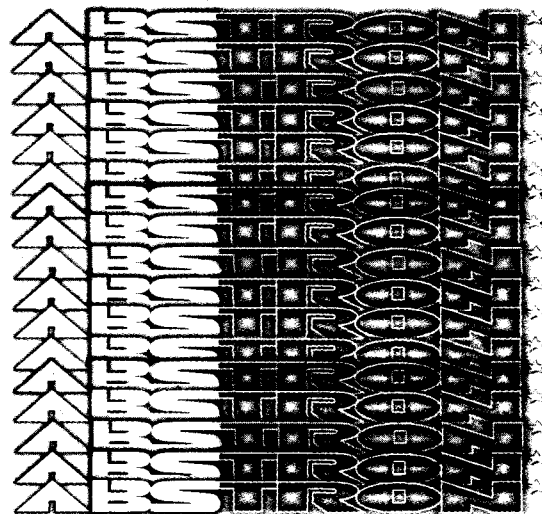


Annual Report 2005-2006



bhansali ENGINEERING polymers limited

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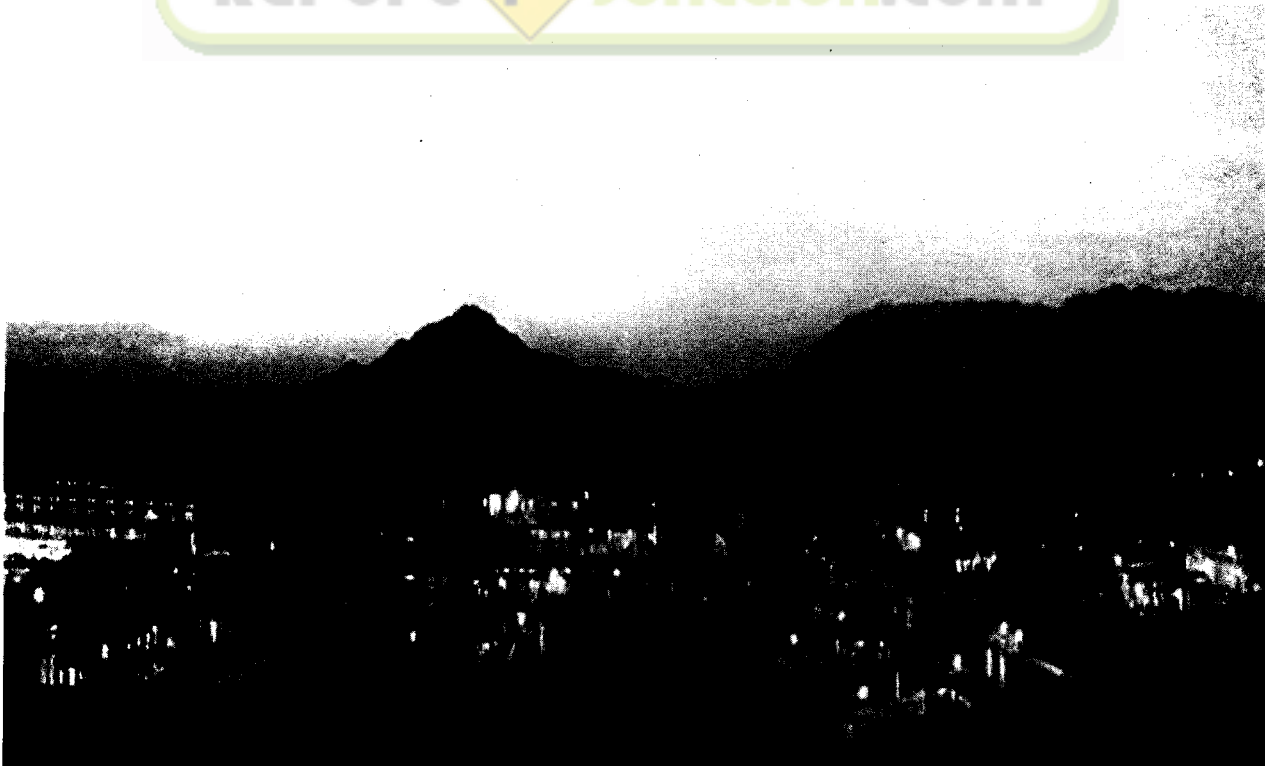
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BOARD OF DIRECTORS

Mr. M. C. Gupta	- Chairman
Mr. C. S. Sastry	
Dr. Pravin P. Shah	
Dr. W. R. Correa	- (Resigned w.e.f. 24.06.06)
Mr. Supriya Gupta	
Mr. B. S. Bhesania	
Mr. P. R. Bhansali	
Mr. Kenji Asakawa	- Executive Director
Mr. Jayesh B. Bhansali	- Additional Director (w.e.f. 24.06.06)
Mr. B. M. Bhansali	- Managing Director

MANAGEMENT TEAM

Mr. B. M. Bhansali	- Managing Director
Mr. Jayesh B. Bhansali	- Executive Director (Corporate)
Mr. Kiran Bhansali	- Executive Director (Operations)
Mr. Kenji Asakawa	- Executive Director (Technical)

AUDITORS

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

SOLICITORS

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

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.

BHANSALI ENGINEERING POLYMERS LIMITED**NOTICE**

NOTICE is hereby given that the Twenty Second Annual General Meeting of the Members of **Bhansali Engineering Polymers Limited** will be held at Walchand Hirachand Hall, Indian Merchants' Chamber, Veer Nariman Road, Mumbai 400020 on Saturday, 23rd day of September 2006, at 11.30 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2006 and Profit and Loss Account for the year 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 Dr. W. R. Correa, who retires by rotation at this Annual General Meeting and has shown his unwillingness to be re-appointed.
4. To appoint a Director in place of Mr. P. R. Bhansali, 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 Mr. M. C. Gupta, 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.

SPECIAL BUSINESS :

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

"RESOLVED THAT Mr. Jayesh B. Bhansali who was appointed as an Additional Director of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956 read with Article 77.1 & 77.2 of the Articles of Association of the Company and who would vacate his office at the ensuing Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 along with necessary deposit from a shareholder proposing the candidature of Mr. Jayesh B. Bhansali as a Director of the Company, be and is hereby appointed as a Director of the Company."

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

"RESOLVED THAT as per the recommendation of the Remuneration Committee and pursuant to the provisions of Section 198, 269, 309 and 311 read with Schedule XIII to the Companies Act, 1956 and subject to such approvals as may be necessary, consent of the Members of the Company be and is hereby accorded for the appointment of Mr. Jayesh B. Bhansali as a Whole Time Director designated as Executive Director of the Company for a period of three years with effect from 24th June, 2006 subject to the terms and conditions as set out hereunder, with further liberty to the Board of Directors of the Company to alter and vary the said terms and conditions, in such manner as may be agreed to between the Directors and Mr. Jayesh B. Bhansali but subject to the provisions contained in Schedule XIII to the Companies Act, 1956, as amended from time to time :

**REMUNERATION:**

- | | |
|-------------------------------|--|
| (i) Salary | Rs. 64,000/- per month. |
| (ii) Perquisites & allowances | <p>(a) House Rent Allowance as per the Company's Rules.</p> <p>(b) Medical facilities for Mr. Jayesh B. Bhansali and his family will be reimbursed by the Company as per the Company's Rules.</p> <p>(c) Leave Travel concession for Mr. Jayesh B. Bhansali and his family once in a year in accordance with the Rules specified by the Company.</p> <p>(d) Provision of car including driver for use on Company's business and telephone shall be provided at actuals.</p> <p>(e) Contribution to Provident Fund, Gratuity and Encashment of Leave as per Company's Rules.</p> <p>(f) Contribution to Super Annuation Fund will be provided as per the Company's Rules.</p> <p>(g) Professional Perquisite Allowance in accordance with the Rules specified by the Company.</p> <p>(h) Transportation allowance will be provided as per the Company's Rules.</p> <p>(i) Bonus will be given as per the Company's Rules.</p> |

"RESOLVED FURTHER THAT in the event of absence or inadequacy of net profits in any financial year, the remuneration payable to the Executive Director shall be governed by Section II of Part II of Schedule XIII to the Companies Act, 1956 or any statutory modification thereof and the same shall be treated as the Minimum Remuneration payable to the said Executive Director."

"RESOLVED FURTHER THAT during such time as Mr. Jayesh B. Bhansali holds and continues to hold office of the Executive Director, he shall not be liable to retirement by rotation as a Director."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to take such actions and do all such things as may be necessary or desirable to give effect to this resolution."

By order of the Board
For Bhansali Engineering Polymers Ltd.

Place : Mumbai
Dated: 24th June 2006

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, 16th September 2006 to Saturday, 23rd September 2006 (both days inclusive).

BHANSALI ENGINEERING POLYMERS LIMITED

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 23rd September 2006 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 15th September 2006 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 herebelow:

ADDITIONAL INFORMATION:

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

Particulars	Mr. P. R. Bhansali	Mr. M. C. Gupta
Date of Birth	12.11.1946	23.07.1938
Date of Appointment	07.02.1986	30.09.2002
No. of shares held	552690	Nil
Qualifications	B. Com., L.L.B.	M.A.(English)
Expertise in specific functional areas	Mr. P. R. Bhansali is an eminent Industrialist and a leading exporter of readymade garments. Mr. P. R. Bhansali was the President of the Metal & Stainless Steel Merchants Association, Mumbai and Vice President of All India Garments Exporters & Manufacturers Association. Mr. P. R. Bhansali has been associated with the Company since its incorporation. The Company has immensely benefited from Mr. P.R. Bhansali's expertise in various fields and looks forward to continue the same.	I.A.S. (1960 batch), served the Union & State Governments on various administrative posts including Industries Secretary, Govt. of India, Advisor, Industries Planning Commission. Retired as Chief Secretary, Govt. of Haryana in 1997. Currently, Advisor to United Nations Industrial Development Organization. (UNIDO)
Directorship of other Companies	a) Bhansali Ferromet Pvt. Ltd. b) Bhansali Bright Bars Pvt. Ltd.	Vardhaman Acrylies Limited
Chairman/Member of Committees of the Board of Companies of which he is a Director	Nil	Vardhaman Acrylies Limited - Chairman of Shareholders/Investors Grievance Committee

By order of the Board
For **Bhansali Engineering Polymers Ltd.**

Place : Mumbai
Dated: 24th June 2006

B. M. Bhansali
Managing Director

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****Item No. 7 :-**

Mr. Jayesh B. Bhansali was appointed as an Additional Director of the Company with effect from 24th June 2006 pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article No.77.1 & 77.2 of the Articles of Association of the Company. Pursuant to the provisions of the said section, the term of the office of the said Director expires at the ensuing Annual General Meeting of the Company. In the mean time, the Company has received a notice under Section 257 of the said Act along with the necessary deposit from a shareholder proposing the candidature of Mr. Jayesh B. Bhansali for the office of Director of the Company. The details as required pursuant to clause 49 of Listing Agreement are as under:

Date of Birth	25.07.1983
Date of Appointment	24.06.2006
Qualifications	B. Com.
Expertise in specific functional area	General Management
Directorship of other Companies	1. Bentley Commercial Enterprises Ltd. 2. Speedage Commercials Ltd. 3. Sheraton Properties & Finance Ltd. 4. Bhansali International Pvt. Ltd. 5. Bhansali Innovative Finance Pvt. Ltd. 6. Bhansali Engineering Industries Pvt. Ltd. 7. Bhansali Industrial Investment & Finance Pvt. Ltd.
Chairman/Member of Committees of the Board of Companies of which he is Director	Nil

The Board recommends the appointment of Mr. Jayesh B. Bhansali as a Director of the Company.

The resolution vide serial No. 7 is therefore proposed for approval of the Members.

Mr. Jayesh B. Bhansali is concerned or interested in the above resolution for his appointment. Mr. Babulal M. Bhansali, being father of Mr. Jayesh B. Bhansali, is concerned or interested in the said resolution.

No other Director is concerned or interested in the said resolution.

Item No. 8

As per the recommendation of the Remuneration Committee, the Board of Directors have at their meeting held on 24th June, 2006 appointed Mr. Jayesh B. Bhansali as a Whole Time Director designated as the Executive Director for a period of three years w.e.f. 24th June, 2006 on terms and conditions as stated in the resolution.

The appointment of Mr. Jayesh B. Bhansali as the Executive Director of the Company, would require the consent of the shareholders of the Company pursuant to Sections 198, 269, 309, 311 and other applicable provisions of the Companies Act, 1956 and subject to the limits of Schedule XIII to the said act. The said resolution is therefore, recommended for your approval.

The information as furnished in the above resolution containing terms and conditions of appointment of and payment of remuneration to Mr. Jayesh B. Bhansali, Whole Time Director designated as 'Executive Director' shall be deemed to be abstract of the terms and conditions of such appointment and remuneration to the said Whole Time Director in terms of Section 302 of the Companies Act, 1956.

Mr. Jayesh B. Bhansali is concerned or interested in the resolution vide serial no. 8 for his appointment as Whole Time Director. Mr. Babulal M. Bhansali, being father of Mr. Jayesh B. Bhansali, is concerned or interested in the said resolution.

No other Director is interested or concerned in the said resolution.

By order of the Board
For **BHANSALI ENGINEERING POLYMERS LIMITED**

Place: Mumbai
Dated: 24th June 2006

B. M. Bhansali
Managing Director

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

bhansali ENGINEERING polymers LIMITED**DIRECTORS' REPORT**

Dear Members,

Your Directors take pleasure in presenting the Twenty Second Annual Report and the Audited Accounts for the year ended 31st March 2006.

CHANGE IN ACCOUNTING PERIOD :

The figures for the year ended on 31st March 2006 are not comparable with the figures of the previous period of nine months ended on 31st March 2005.

FINANCIAL RESULTS :

	Current Accounting Year ended 31.03.2006 (12 months) (Rs.in lacs)	Previous Accounting Period ended 31.03.2005 (9 months) (Rs.in lacs)
Sales	30655.49	17551.76
Profit before interest, tax and depreciation	3407.96	2218.66
Profit before tax	1546.71	1228.76
Profit after tax	946.51	967.23
Balance brought forward	1605.34	827.29
	2551.85	1794.52
Proposed dividend including tax thereon	189.18	189.18
Balance carried to Balance Sheet	2362.67	1605.34

DIVIDEND:

The Directors have pleasure in recommending for the consideration of the Members at the Annual General Meeting, payment of Dividend of Re.0.10 per share (10%) for the year ended 31st March, 2006 (previous period : Re.0.10). The total outgo including tax thereon will be Rs.189.18 lacs.

OPERATIONS:

- (a) The Company was able to optimally utilise its production facilities and achieved significant growth in production and sales. A record production at 34469 MT and turnover at Rs.30655.49 lacs were achieved during the year under review, reflecting an increase by 53% and 31% respectively on an annualized basis. It is noteworthy that during the year under review, your company earned Rs. 3407.96 lacs profit before interest, tax and depreciation (EBITD), an increase of 54%. It's net profit before tax at Rs.1546.71 lacs, cash profits before tax at Rs.2185.36 lacs against the net profit before tax at Rs.1228.76 lacs and cash profit before tax at Rs.1654.39 lacs in the previous period reflect an increase of 26% and 32% respectively. However, due to provision for taxation, net profit after tax at Rs. 946.51 lacs was marginally lower than previous period's net profit after tax at Rs.967.23 lacs.
- (b) Wild fluctuation in global monomer prices continued throughout the year, perhaps as a sequel to unabated turmoil in crude and petroleum prices. However, your company is learning fast to live with such uncertainties hence could achieve some good results. Furthermore, your Company has revamped its process technology to achieve in post expansion phase cost and quality leadership and also successfully implemented ERP Programme, mySAP.



FUTURE PLAN:

The programme of expanding current capacity from 48 KTPA to 60 KTPA has been shelved owing to the reasons, enunciated hereinafter. The incremental step to achieve 25% higher production capacity is fraught with the risk of stopping the heart of the production facility, i.e. Bulk SAN plant, for 12 to 14 weeks to carry out modification, during which production of ABS will come to a grinding halt. Owing to near optimal utilization of production facility together with the absorption of the product at the market place, it is not becoming possible to create adequate inventory of Bulk SAN to cover production schedule of ABS uninterruptedly for 12/14 weeks. Moreover, upon further in-depth examination, it is not being found so attractive from cost reduction angle, as a step preceding the mega capacity expansion to 200 KTPA. Therefore, the company's strategy for capacity expansion is being re-engineered to implement mega expansion programme to 200 KTPA from the present level of 48 KTPA in single or two phases. The implementation strategy whether to reach 200 KTPA in single stage or implement in two stages will be finalised in the next few months because it involves intensive study presently being carried out with respect to utility engineering as your company is coming out with a novel scheme to implement co-generation power plant. Indian manufacturing scene, in general and no exception in particular to ABS business, is getting exposed to international competition in the domestic market. Therefore, the watch words are cost competitiveness globally and quality competence at par with the best in world. There is really no choice for your company than to think big and out of box to get going with its mega expansion project in the manner that cost wise the company is slim enough to wrestle at the market place and remain financial-healthwise robust. The strategy, therefore, is right sizing of the capacity expansion and reducing the cost of the utility at minimal level, which would be achievable through co-generation facility your company is planning to build as an integral part of 200 KTPA expansion project. The cost of energy saved will reflect directly in bottom-line improvement. Your company's endeavour is to carry out the study intensively for achieving cost and quality leadership and equally extensively to arrive at a better understanding of the growth dynamics of Indian and transnational markets. On the one hand there is no alternative than to grow and on the other absorption, of higher volume turn out from the manufacturing outfit, by the market on value added basis poses formidable challenge. While determining the growth model your company is simultaneously formulating the financing strategy. It will be possible for your company to determine by end of the calendar year, financing programme befitting the expansion plan, blueprint whereof will be ready by September, 2006. No doubt there has been delay in working out and implementing the expansion plan but to find the right way in such densely and rapidly changing competitive environment takes some time.

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 year.

DIRECTORS:

Mr. Jayesh B. Bhansali has been appointed as an Additional Director of the Company w.e.f. 24th June, 2006 to hold office upto the date of the ensuing Annual General Meeting of the Company. The Company has received notice from a Shareholder pursuant to Section 257 of the said act proposing the candidature of Mr. Jayesh B. Bhansali for the office of Directorship of the Company.

As per the recommendation of the Remuneration Committee, the Board of Directors have at their meeting held on 24th June, 2006 appointed Mr. Jayesh B. Bhansali as a Whole Time Director designated as the Executive Director for a period of three years w.e.f. 24th June, 2006, subject to the approval of the members of the Company.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Dr. W. R. Correa, Mr. P. R. Bhansali and Mr. M. C. Gupta, Directors of the Company shall retire by rotation at the ensuing Annual General Meeting. Dr. W. R. Correa has shown his unwillingness to be re-appointed. Mr. P. R. Bhansali and Mr. M. C. Gupta, being eligible, have offered themselves for re-appointment.

A brief profile of Directors seeking appointment / re-appointment as required by Clause 49(IV)(G) of the Listing Agreement with the Stock Exchanges is given in the Notice of the ensuing Annual General Meeting.

bhansali engineering polymers limited**DELISTING OF SHARES:**

Pursuant to the application for delisting made by the Company, following two stock exchanges have delisted the Company's equity shares.

- 1) Ahmedabad Stock Exchange Limited, Ahmedabad.
- 2) The Delhi Stock Exchange Association Limited, New Delhi.

Though requisite applications have been submitted to following two stock exchanges are yet to delist Company's equity shares:

- 1) The Calcutta Stock Exchange Association Limited, Kolkata.
- 2) Madhya Pradesh Stock Exchange Association Limited, Indore.

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 31st March, 2006 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 year ended 31st March, 2006 have been prepared on a going concern basis.

CORPORATE GOVERNANCE:

Pursuant to Clause 49 of the Listing Agreement, a report on Corporate Governance and Management Discussion and Analysis and Certificate from M/s.Rathi & Associates, Company Secretaries in Practice 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 year ended 31st March, 2006 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 year.

For and on behalf of the Board

Place : Mumbai
Dated : 24th June 2006

M. C. GUPTA
CHAIRMAN