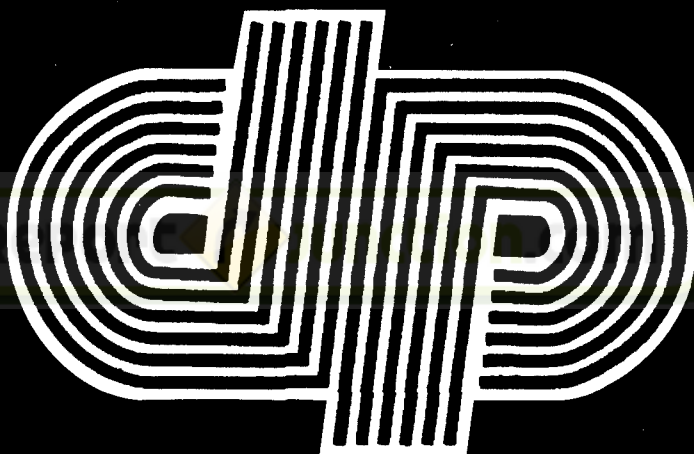


DECCAN POLYPACKS LIMITED



**22nd Annual Report
2005-2006**



Board of Directors

Shri M N Rao (upto 20.06.2005)

Shri D V R Raju

Shri K Gopal

Shri Krishna Raju Kalidindi

Shri D R S P Raju

Shri G V S Raju

Shri N S B Reddy (w.e.f. 05.06.2006)

Managing Director

Director (Commercial)

Auditors

M Bhaskara Rao & Co.

Chartered Accountants

5th Floor, Kautilya Apartments

Somajiguda

Hyderabad - 500 082

Bankers

State Bank of India

Industrial Finance Branch

Somajiguda

Hyderabad - 500 082

Report  Junction.com

Registered Office & Works

S.No. 142/A, IDA Bollaram, Via Miyapur,

Jinnaram Mandal,

Medak District, Andhra Pradesh

Pin : 502 325

Phone : 0091-8458-279498, 279577

Fax : 0091-8458-279322

E-mail : hyd2_dpl@sancharnet.in

Website : www.deccanpoly.com

Registrar and Share Transfer Agents (R & STA)

Sathguru Management Consultants (P) Ltd

Plot No. 15, Hindi Nagar, Punjagutta

Hyderabad - 500 034



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NOTICE:

Notice is hereby given that the 22nd Annual General Meeting of Deccan Polypacks Limited will be held on Friday the 29th day of September, 2006 at 11.00 AM at the Registered Office of the Company situated at S.No: 142/A, IDA Bollaram, Via Miyapur, Narsapur Taluk, Jinnaram Mandal, Medak District to transact the following business.

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2006, Audited Balance Sheet and the Cash Flow Statement as at that date and the Reports of the Director's and Auditor's thereon.
2. To appoint a Director in the place of Sri K.Gopal, Director who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint M/s M.Bhaskara Rao & Co. Chartered Accountants as Statutory Auditors to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

4. To consider and if thought fit to pass with or without modification the following resolution as Ordinary Resolution.

RESOLVED THAT Sri N S B Reddy who was appointed as Additional Director of the Company by the Board of Directors and who ceases to hold the office under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director be and is hereby appointed Director of the Company.

5. To consider and if thought fit to pass with or without modification the following as Special Resolution.

"RESOLVED THAT pursuant to the provisions of Sections 198,269, 309,310,314 and all other applicable provisions of the Companies Act, 1956 (including any statutory modifications or enactment thereof for the time being in force) and subject to

the limits specified in Schedule XIII of the said Act consent be and is hereby accorded to the re-appointment of Sri D R S P Raju as Managing Director for a period of five years with effect from 01.10.2006 and payment of remuneration on the following terms and conditions.

- I. Salary Rs 50,000/- per month in the grade Rs 50,000-15,000-1,10,000

II. Perquisites and allowances :

I. Housing :-

- a) The expenditure incurred by the Company on hiring accommodation for the Managing Director shall be subject to a ceiling of 60% salary over and above 10% payable by the Managing Director himself.

- b) Where accommodation is provided in a Company owned house, the Managing Director shall pay to the Company by way of rent 10% of the salary.

- c) Where the company does not provide accommodation to the Managing Director House Rent Allowance may be paid by the Company in accordance with (a) above.

- d) The expenditure incurred by the Company on gas, electricity, water and furnishing will be valued as per the Income-Tax Rules, 1962. This will however, be subject to a ceiling of 10% of salary of the Managing Director.

II. Medical Reimbursement :

Expenses incurred for self and family subject to a ceiling of one month's salary per year or three months salary in a period of three years.

III. Leave Travel Concession :

For self and family once in year in accordance with rules specified by the Company.

IV. Club Fees :

Fees of Clubs subject to a maximum of two club, admission and life membership fees not being allowed.



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V. Personal Accident Insurance :

For an amount the annual premium of which does not exceed Rs 4,000/-

OTHER PERQUISITES :

- I. Company's contribution towards Provident Fund as per the rules of the Company.
- II. Company's contribution towards Pension/ Superannuation Fund as per the rules of the Company. Such contribution together with the contribution to the Provident Fund shall not exceed the limits prescribed in the Income-Tax Act, 1961.
- III. Gratuity-payable in accordance with an approved scheme and shall not exceed one half month's salary for each completed year of service.

Contribution to Provident Fund and Superannuation Fund to the extent they are exempted under the Income Tax Act, 1961 and encashment of leave at the end of tenure will not be included in the computation of the ceiling on perquisites. Provision of car for use on Company's business and telephone at residence will not be considered as perquisites.

All long distance personal calls shall be duly logged and paid for by the Managing Director.

Earned/Privilege Leave – on full pay and allowances as per rules of the Company. "Leave accumulated but not availed of during his tenure may be allowed to be encashed as per the rules of the Company".

"RESOLVED THAT" where in a financial year the company has no profits or its profits are inadequate the company may pay to Sri D R S P Raju, Managing Director remuneration by way of salary, perquisites and allowances as mentioned hereinabove subject to the provisions of Schedule XIII, Section II, part II of the Companies Act, 1956.

On behalf of the Board.
for DECCAN POLYPACKS LIMITED

Place : Hyderabad
Date : 07.06.2006

D R S P Raju
Managing Director

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 and such proxy need not be a member of the company.
2. Proxy, in order to be effective must be deposited at the Company's Registered Office at S.No: 142/A, IDA Bollaram via Miyapur, Jinnaram Mandal, Narsapur Tq. Medak Dist. AP not less than 48 hours before the time for holding the meeting.
3. The members are requested to please forward all the correspondence relating to transfers, change of address, requests for dematerialisation of shares and all matters pertaining to shares to the Registrars and Transfer Agents M/s Sathguru Management Consultants Pvt. Ltd., Plot NO. 15, Hindi Nagar, Punjagutta, Hyderabad – 500 034.
4. The Register of members and share transfer books of the Company will remain closed from 26.09.2006 to 29.09.2006 (both days inclusive)
5. The explanatory statement for special business mentioned in the notice is annexed as per the provisions of Section 173(2) of the Companies Act, 1956.

On behalf of the Board.
for DECCAN POLYPACKS LIMITED

Place : Hyderabad
Date : 07.06.2006

D R S P Raju
Managing Director



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ANNEXURE :

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of special business.

ITEM NO.4

Sri N S B Reddy was appointed as Additional Director by the Board of Directors at their meeting held on 05.06.2006 and holds the office of Director upto the ensuing Annual General Meeting. The Company has received notice as required under Section 257 of the Companies Act, 1956 from a member proposing the candidature of Sri N S B Reddy as Director of the Company together with requisite deposit. The Board recommends the resolution for the approval of the members. None of the Directors except Sri N S B Reddy is deemed to be concerned or interested in the resolution.

ITEM NO.5

The existing term of Sri D R S P Raju, as Managing Director expires on 30.09.2006. The Board of Directors at their meeting held on 07.06.2006 have re-appointed Sri D R S P Raju as Managing Director for a period of 5 years w.e.f. 01.10.2006. The Director's remuneration Committee at its meeting held on 05.06.2006 has passed resolution approving the remuneration payable to Sri D R S P Raju, Managing Director as per the terms mentioned in the notice subject to the approval of the shareholders. Your Directors are of the view that the re-appointment of Sri D R S P Raju as Managing Director will be in the interest of the Company and its members and accordingly commend the resolution for your approval. None of the Directors except Sri D R S P Raju and D V R Raju (being relative of Sri D R S P Raju) is concerned or interested in the said resolution. The explanation together with the accompanying notice may be treated as an abstract under section 302 of the Companies Act, 1956.

INFORMATION REQUIRED UNDER CLAUSE 49 OF LISTING AGREEMENT

As required under clause 49 of the listing agreement the particulars of the Directors who are proposed to be appointed at this Annual General Meeting is given below.

Sri K. Goapl is Arts Graduate from Osmania University and a certified Associate of the Indian Institute of Bankers, Mumbai. He has worked in State Bank of India in various departments in India and abroad and has rich experience of over 3 decades. Sri K. Gopal was re-appointed as Director at the Annual General Meeting held on 29.09.2004. Sri K Gopal is member of the Audit Committee, Remuneration Committee and Shareholders Grievance Committee of Directors.

Sri D R S P Raju is Commerce Graduate from Osmania University and has been associated with the Company as one of the promoters since its inception. Under his able guidance and leadership the Company has successfully completed expansion project, developed export market for its products. Sri D R S P Raju is member of the shareholders Grievance Committee and Share Transfer Committee of the Directors.

On behalf of the Board.
for DECCAN POLYPACKS LIMITED

Place : Hyderabad

Date : 07.06.2006

D R S P Raju
Managing Director



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DIRECTORS' REPORT

Your Directors have pleasure in presenting their 22nd Annual Report together with the Audited Accounts for the year ended 31st March 2006.

The financial results for the year ended 31st March 2006 is summarized below.

| | (Rs.in Lacs) | |
|----------------------------------|--------------|-----------|
| | 2005-2006 | 2004-2005 |
| Income from operations | 2539.25 | 1839.66 |
| Gross profit | 132.41 | 102.39 |
| Interest | 55.55 | 40.47 |
| Depreciation | 25.87 | 24.73 |
| Profit/(Loss) before taxation | 50.99 | 37.19 |
| Deferred Tax Asset (Net) | 11.02 | 1.37 |
| Fringe Benefit Tax | (0.92) | - |
| Net Profit/(Loss) After Taxation | 61.09 | 37.05 |
| Balance brought forward | 71.00 | (108.05) |
| Balance carried to balance sheet | 9.91 | (71.00) |

Operations

During the year under report there has been impressive increase in sales turnover and gross profit, in comparison with the previous year. The Company has recorded income from operations of Rs 2539.25 lacks as against Rs 1839.66 lacs in the previous year. However, the company has recorded marginal decline in volumes but higher realization. The company has exported 637.13 MTs of its products valued at 482.65 lakhs during the year under report as against 670 MTs valued 459.71 lakhs in the previous year. The Company has been able to record a steady growth in exports despite severe competition. In domestic market, the off-take from cement/fertilizer industry has improved due to increase in cement production in the State. This has resulted in

marginal increase in capacity utilization, resulting in growth in net profit for the year. The company could bring down expenses in regard to power and administrative expenses, due to sincere efforts put in by the staff.

The company has initiated steps to improve the margins by implementing cost control measures. The company is hopeful of achieving improved performance in the coming years.

Future Outlook

You are aware that the fortunes of the company are by and large linked to the performance and growth of the cement and fertilizer industries. Considering the new Government policies in the Centre and in State for development of infrastructure, and liberalization of economy in the coming months, especially for agriculture sector, the demand for bags should improve substantially. The economy is presently witnessing phenomenal growth in the construction industry and the demand for packing material is also growing. Your Company is well established in international markets and is exporting to USA, UK, Portugal, Malaysia, Sri Lanka, Zambia and UAE. Your company is exploring the possibilities for exports to Europe seriously on lifting of Anti Dumping Duty in European Union. Considering all the above facts your Directors are hopeful of improved performance during the year ahead.

Corporate Governance

The company has implemented the Corporate Governance Code during the year under report. A detailed report is enclosed.

Directors Responsibility Statement

In terms of the provisions of Section 217(2AA) of the Companies Act, 1956 it is stated that :



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- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.
- (c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (d) the Directors have prepared the annual accounts on a going concern basis.

Energy, Technology and Foreign Exchange

Additional information on conservation of Energy, Technology Absorption and Foreign Exchange Earnings and outgo as required to be disclosed in terms of section 217(1)(e) of the Companies Act, 1956 as amended by the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 is annexed hereto and forms part of the report.

Particulars of Employees

There is no employee in the company coming under the provisions of section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975 as amended.

Auditors

M/s M. Bhaskara Rao & Co. Chartered Accountants, the Statutory Auditors of the Company retire at the

conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment

Directors

Pursuant to the provisions of Sections 255 and 256 of the Companies Act, 1956 Sri K. Gopal Director of the company retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment. Sri M N Rao ceased to be Director w e f 20.06.2005 consequent upon resignation from the Board. The existing term of Sri D R S P Raju, Managing Director as Managing Director expires on 30.09.2006. Re-appointment & payment of remuneration to Sri D R S P Raju, Managing Director is put up for approval of the members. The Company placed on record the yeoman service rendered by Sri. M N Rao during his tenure as Director of the Company.

Compliance Certificate

Compliance Certificate in terms of section 383A of the Companies Act, 1956 is a attached and forms part of the report.

Acknowledgements

The Board expresses its grateful thanks to the State Bank of India, State Bank of Hyderabad, Andhra Bank, various departments of the State and Central Government, customers, vendors and shareholders for their valuable support to the company.

For and on behalf of the Board

G V S Raju
Director (Commercial)

D R S P Raju
Managing Director

Place : Hyderabad
Date : 07.06.2006



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Annexure-I

Disclosure of particulars with respect to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and outgo as required under Companies (Disclosure of Particulars in the Board of Directors Report) Rules, 1988.

A. Conservation of Energy

Conservation of energy continues to be accorded high priority. The company conducts in house study at regular intervals in respect of energy consumption and formulates operational systems to minimize power consumption.

B. Technology Absorption

The Company has not obtained any imported technology. The Company has trained its personnel in the equipment suppliers works to absorb the technology.

C. Foreign Exchange Earnings and Outgo

| | Current Year Rs. | Previous Year Rs. |
|---|------------------------|-------------------------|
| 1. Foreign Exchange earned | 4,31,00,000 | 3,41,47,790 |
| 2. Foreign Exchange used for import of raw material | 3,63,161 | 8,07,984 |

Form A (see rule 2)

Form for Disclosure of particulars with respect to Conservation of Energy.

Plastic industry is not covered under the list of industries required to furnish information in Form A hence information not disclosed.

CORPORATE GOVERNANCE REPORT

I. The Corporate Governance Code

The Company is implementing the Corporate Governance code as per the guidelines issued by the Stock Exchange. The Company has consistently practiced good corporate governance. The Company creates an environment for the efficient conduct of the business and to enable management to meet its obligations to all its stakeholders, including amongst others, shareholders, customers, employees and the community in which the Company operates.

II. Board of Directors ("Board")

The Board comprises of six Directors of whom two are executive, and four are non-executive Directors. The Chairman of the Board is a Non-Executive Director.

a) Composition of the Board

| Name of the Director | Status |
|----------------------|---------------------------------|
| Shri. D R S P Raju | Managing Director & Executive |
| Shri D V R Raju | Promoter & Non Executive |
| Shri M N Rao * | Independent & Non Executive |
| Shri K Gopal | Independent & Non Executive |
| Shri K Krishna Raju | Independent & Non Executive |
| Shri G V S Raju | Director Commercial & Executive |

* Ceased to be Director wef 20.06.2005.



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b) Board Meetings

The meetings of the Board of Directors are held at the City Office / Registered Office of the Company at Hyderabad / Bollaram (factory site) agenda for which is circulated atleast seven days in advance. Senior Management of the Company is invited to attend the Board Meetings, to make presentations and provide clarifications as and when required. The Board meets atleast once a quarter to review the quarterly performance and financial results.

c) Number of Board Meetings

During the year from 1st April, 2005 to 31st March 2006 the Board met eight times on the following dates.

| Sl.No. | Date | Board Strength | No. of Directors present |
|--------|------------|----------------|--------------------------|
| 1. | 10.05.2005 | 6 | 5 |
| 2. | 30.05.2005 | 6 | 5 |
| 3. | 20.06.2005 | 5 | 4 |
| 4. | 06.07.2005 | 5 | 4 |
| 5. | 30.07.2005 | 5 | 4 |
| 6. | 29.10.2005 | 5 | 4 |
| 7. | 31.01.2006 | 5 | 4 |
| 8. | 25.03.2006 | 5 | 4 |

d) Attendance of Directors

| Name of the Director | No. of Board Meetings held | No. of Board Meetings attended | Attendance at the last Annual General Meetings | No. of Directorships in other Board as on 31.3.2006 | No. of Memberships in other Board Committees as on 31st March, 2006 |
|----------------------|----------------------------|--------------------------------|--|---|---|
| Mr D V R Raju | 8 | 8 | YES | NIL | NIL |
| Mr M N Rao* | 8 | 2 | NO | 7 | 7(3) |
| Mr DRSP Raju | 8 | 8 | YES | 1 | NIL |
| Mr K Gopal** | 8 | 7 | NO | NIL | NIL |
| Mr G V S Raju | 8 | 8 | YES | 1 | NIL |
| Mr K. Krishna Raju | 8 | 1 | NO | NIL | NIL |

Figure in bracket indicate Chairmanship. * ceased to be Director wef 20.06.2005. **The Chairman of the Audit Committee could not be present at the Annual General Meeting as he was abroad.

III. Committees of Directors

The Board has constituted Committees which comply with the requirements of Clause 49 of the Listing Agreement with the Stock Exchanges.

a: Audit Committee

- i) The Audit Committee was reconstituted at Board Meeting held on 20.06.2005 consequent upon the resignation of Sri M N Rao as Director of the Company who was also the member of the Committee.



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The Committee comprises of the following non-executive members of the Board.

1. Sri. K Gopal - Chairman
2. Sri. K. Krishna Raju - Member
3. Sri. D V R Raju - Member

During the year 1st April, 2005 to 31st March, 2006 the Committee had four meetings.

| S.No. | Date |
|-------|------------|
| 1. | 30.05.2005 |
| 2. | 30.07.2005 |
| 3. | 29.10.2005 |
| 4. | 31.01.2006 |

ii) Attendance of the Directors in the Audit Committee Meeting:

| Name of the Director | No. of Meetings held | No. of Meetings attended |
|----------------------|----------------------|--------------------------|
| Sri. K Gopal | 4 | 3 |
| Sri. M N Rao * | 4 | 1 |
| Sri. D V R Raju | 4 | 4 |
| Sri. K Krishna Raju | 4 | 1 |

* Ceased to be member wef 20.06.2005. In terms of the provisions on Corporate Governance on Audit Committee, the quorum for the meeting is two or 1/3rd of the members of the Committee whichever is greater but minimum 2 independent Directors shall be present at the meeting. The composition of the present Audit Committee is in line with the provisions of the code but the attendance at the meeting is not in compliance of the code since Sri. K. Krishna Raju was not present for 3 meetings and Sri. K. Gopal was not present for 1 meeting.

iii) Terms of reference:

The Audit Committee has powers to investigate any activity within its terms of reference, seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary. The terms of reference of the Audit Committee also includes the following :

- 1) Overseeing of the Company's financial reporting process and the disclosure of the financial information to ensure that the financial statements are correct, sufficient and credible.
- 2) Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- 3) Reviewing with management the annual financial statements before submission to the Board, focusing primarily on :
 - a) Any changes in accounting policies and practices
 - b) Major accounting entries based on exercise of judgment to management.