



Ecoplast Limited

Twenty Third Annual Report and Statement of Accounts for the year ended 31st March 2005

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‘Mark of Prestige’



International Standards
Certifications

Lic. No. QAC/R91/0503

This Logo certifies that the Company's Quality Management System complies with the requirement of the International Standard ISO 9001, for "Manufacture and Supply of Plastic Films Excluding Design and Development".



Ecoplast Ltd.

Twenty Third Annual Report 2004-2005

Board of Directors : Mr. P. P. KHARAS
Mr. J. B. DESAI
Mr. BANKIM B. DESAI
Mr. P. D. KARKARIA
Mr. J. A. MOOS
Mr. BHUPENDRA B. DESAI
Mr. N.J.N. VAZIFDAR

– Chairman & Managing Director
– Executive Director
– Director
– Director
– Director
– (Alternate to Mr. Bankim B. Desai)
– Director

Secretary : Mr. B. R. Tarafdar

Bankers : UNION BANK OF INDIA
M. S. Marg,
Mumbai – 400 023.

Legal Advisors : M. S. Bodhanwalla & Co.
Motlibai Wadia Building,
22D, S. A. Brelvi Road,
Fort, Mumbai – 400 001.

Auditors : M/s. AKKAD MEHTA & CO.
Chartered Accountants,
10, Ketayun Mansion,
Shahaji Raje Marg,
Vile Parle (E),
Mumbai – 400 057.

Share Registrars & Managers to the Fixed Deposit Scheme : Tata Share Registry Ltd.
Army & Navy Building,
148, Mahatma Gandhi Road,
Fort, Mumbai – 400 001.

Registered Office : National Highway No. 8,
Water Works Cross Road,
Abrama,
Valsad – 396 001, GUJARAT.
E-Mail : ecoval@ecoplastindia.com

Head Office : 4, Magan Mahal,
215, Sir. M. V. Road,
Andheri (E), Mumbai-400 069.
E-Mail : ecobom@ecoplastindia.com

Web site : <http://www.ecoplastindia.com>

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JAMPORE PRINTERS LTD.

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NOTICE TO MEMBERS

Notice is hereby given that the TWENTY THIRD Annual General Meeting of the Company will be held at the Registered Office of the Company at National Highway No. 8, Water Works Cross Road, Abrama, Valsad – 396 001 at 11.00 a.m. on Friday, 2nd September 2005 to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2005 and the Profit and Loss Account for the year ended on that date, and the Reports of the Directors and the Auditors thereon.
2. To declare a Dividend on Equity shares for the financial year 2004 - 2005.
3. To appoint a Director in place of Mr. J. A. Moos who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint M/s. Akkad Mehta & Co., Chartered Accountants, retiring Auditors of the Company who are eligible for reappointment, as the Auditors of the Company from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit to pass with or without modification the following resolution as a **SPECIAL RESOLUTION** :

"RESOLVED THAT pursuant to Section 309 of the Companies Act, 1956, and article 142 (c) of the articles of Association of the company and within the limits stipulated in Section 309 (4) of the Companies Act, the Company be and is hereby authorised to pay to its Directors (other than the Managing Director and the Directors in the whole time employment of the company) for a period of 5 years commencing from 1st April, 2004 such commission as the Board may from time to time determine, (to be divided amongst them in such proportion as may be determined by the Board from time to time and in default of such determination, equally) but so that, such commission shall not exceed 1 % of the net profits of the company in any Financial Year computed in the manner provided in Section 198 (1) of the Companies Act, 1956, or Rs. 2,00,000/- in aggregate whichever is lower."

6. To consider and if thought fit to pass with or without modification the following resolution as an **ORDINARY RESOLUTION** :

"RESOLVED THAT, in supersession of the resolution passed at the Annual General meeting of the Company held on 7th July, 1996 and pursuant to the provisions of Sec 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956 and Article - 184 of the Articles of Association of the company, consent of the Company be and is hereby accorded to the Board of Directors of the company ("The Board") for borrowing from time to time any sum or sums of money on such security and on such terms and conditions as the Board may deem fit, notwithstanding that the money to be borrowed together with the money already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's Bankers in the ordinary course of business) including rupee equivalent of Foreign Currency Loans (such rupee equivalent being calculated at the exchange rate prevailing as on the date of the relevant Foreign Currency Agreement) may exceed, at any time, the aggregate of the paid up capital of the company and its free reserves, i.e. to say, reserves not set apart for any specific purpose, provided however, that the total amount so borrowed in excess of the aggregate of the paid up capital of the Company and its free reserves shall not at any time exceed Rs.20,00,00,000/- (Rupees Twenty Crores only).

7. To consider and if thought fit to pass with or without modification the following resolution as an **ORDINARY RESOLUTION** :

"RESOLVED THAT, pursuant to the provisions of Section 94 (1) (a) of the Companies Act, 1956, and other applicable provisions, if any, the authorised share capital of the Company be and is hereby increased from Rs. 4,00,00,000/- (Rupees Four Crores Only) divided into 40,00,000 equity shares of Rs. 10/- (Rupees Ten only) each to Rs. 10,00,00,000/- (Rupees Ten Crores Only) divided into 1,00,00,000 equity shares of Rs. 10/- (Rupees Ten only) each."

"RESOLVED FURTHER that the existing Clause – V of the Memorandum of Association of the Company as to share capital be and is hereby deleted and in its place the following Clause – V be substituted :

"The Authorised Share Capital of the Company is Rs. 10,00,00,000/- (Rupees Ten Crores Only) divided into

1,00,00,000 equity shares of Rs. 10/- (Rupees : Ten only) each". The company has power to increase or reduce its capital and / or to divide its capital into several classes (being those specified in the Companies Act, 1956 or any modification or re-enactment thereof) and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions or restrictions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may be permitted by Law or provided by the Articles of Association for the time being of the Company.

8. To consider and if thought fit, to pass with or without modification the following Resolution as an ordinary Resolution :

"RESOLVED THAT, pursuant to the provisions of Clause 49 of the Listing Agreement with the Stock Exchange, consent of the Company be accorded for payment of sitting fees to the Non-Executive Directors for such amount, for every meeting of the Board of Directors or committees thereof attended by them, as may be approved by the Board of Directors from time to time subject to the ceiling prescribed under the Companies Act, 1956, or Rules framed thereunder."

By Order of the Board of Directors

B. R. TARAFDAR
Company Secretary

Mumbai, 24th June 2005

Notes :

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM DULY COMPLETED MUST BE RETURNED SO AS TO REACH THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE AFORESAID MEETING.
- (b) The relative Explanatory Statement, pursuant to Section 173 of the Companies Act, 1956 in respect of items 5,6,7 and 8 is annexed hereto.
- (c) The Register of Members and the Share Transfer books of the Company will remain closed from 13th

August, 2005 to 2nd September 2005 (both days inclusive)

- (d) Dividend as recommended by the Directors for the year ended 31st March, 2005 if declared, will be payable on or after 5th September 2005 to those shareholders whose names appear in the Register of Members as at the close of business on 2nd September 2005. The Dividend in respect of shares held in the dematerialized form will be paid to the beneficial owners of the shares whose names appear in the Register and Index of Beneficial Owners as on close of business hours on 12th August 2005, as per details furnished by the depositories for this purpose.
- (e) Members seeking further information on the Accounts are requested to write to the Company at least 7 days before the meeting, so that relevant information can be kept ready at the meeting.
- (f) Members are requested to notify any change in their address to the Tata Share Registry Ltd.; Army & Navy Building, 148 Mahatma Gandhi Road, Fort, Mumbai 400 001.
- (g) In accordance with the provisions of Section 205A of the Companies Act, 1956, the Company has, from time to time, transferred the unclaimed dividends relating to the years upto and including 1996-97 to the General Revenue Account of the Central Government. Members who have a valid claim to any amount being dividend unclaimed by them, pertaining to the period upto and including 1996-97, may claim the same from the Registrar of Companies, Gujarat in the prescribed manner.

In terms of Section 205A (5) of the Companies Act, 1956 dividends remaining unpaid or unclaimed for a period of seven years from the date of transfer to the unpaid / unclaimed dividend account of the Company shall be transferred by the Company to the Investor Education and Protection Fund established by the Central Government pursuant to sub-section (1) of Section 205C of the Companies Act, 1956. Members are requested to seek early settlement of claim for payment of unpaid dividend from the Company. Members may please note that no claim of the transferred unclaimed / unpaid dividend shall lie against the Fund or the Company upon transfer of the amounts to the Fund.

By Order of the Board of Directors

B. R. TARAFDAR
Company Secretary

Mumbai, 24th June 2005

ANNEXURE TO NOTICE

Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956

Resolution at Item 5 :

At the Extra-Ordinary General Meeting of the Company held on 5th June -2001, the members had through a special resolution approved the payment of remuneration by way of commission on profits to non – executive Directors effective from 1st April -1999 for a period of five years. The validity of this resolution expired on 31.03.2004.

The company has at present four non – executive Directors on its Board namely, Mr. B.B. Desai, Mr. P.D. Karkaria, Mr. J.A. Moos and Mr. N.J. Vazifdar. Each of these Directors are currently being paid remuneration by way of commission on profits apart from normal sitting fees for attending the meetings of the Board of Directors or committees thereof.

With the changes in the Corporate Governance norms and the level of involvement of independent non-executive Directors in the supervision and control of the company as members of its Board and also as Chairman / Members of the relevant committees of the board, the role of non – executive independent Directors has undergone qualitative changes. Considering this the Board is of the view to continue to remunerate the non – executive Directors, by way of commission on net profits, apart from normal sitting fees, for a further period of five years with effect from 01.04.2004.

Mr. B.B. Desai, Mr. P.D. Karkaria, Mr. J.A. Moos and Mr. N.J. Vazifdar, non – executive independent Directors of the Company, are deemed to be concerned or interested in this resolution.

The Board commends the passing of the resolution as set out at item No. 5 of the accompanying Notice for approval by members.

Resolution at Item 6 :

At the Annual general meeting of the company held on 4th July, 1996 the members had, pursuant to the provisions of Section 293 (1) (d) of the Companies Act, 1956, authorised the Board of Directors of the Company to borrow from time to time, a sum of money (apart from temporary loans obtained from Bankers in the ordinary course of business) provided that sum or sums so borrowed and remaining outstanding at one time shall not exceed Rs. 15,00,00,000 (Rupees Fifteen Crores only).

As the Company proposes to approach Banks/ Financial Institutions or any other source for Borrowing for financing its expansion plans, the said limit of Rs.15.00 Crores may be substantially utilized. It is, therefore proposed to increase the borrowing limit to Rs. 20,00,00,000/- (Rupees Twenty Crores only) in excess of the aggregate paid up capital of the company and its free reserves. The resolution as at item 6 is being proposed in view of the provisions contained in section 293(1)(d) of the Companies Act, 1956.

None of the Directors of the company is in any way concerned or interested in this resolution.

The Board commends this resolution for approval by Members.

Resolution at Item 7 :

At present, the Authorised Capital of the Company is Rs.4,00,00,000. The Company has three Capital Expenditure proposals in hand for which the Company may be required to borrow additional funds, which in turn will require, that the Company increases its Paid-Up Capital proportionately to maintain an acceptable Debt to Equity ratio. It is proposed to increase the Paid-Up Capital as set out in the Resolution and to obtain necessary Shareholders approval.

None of the Directors are interested in this resolution.

The Board commends the passing of the resolution as set out in Item 7 of the accompanying Notice for approval by Members.

Resolution at Item 8 :

Clause 49 of the Listing agreement with the Stock Exchange requires approval of the Shareholders for payment of sitting fees to Non-Executive Directors. Accordingly, it is proposed to place this Resolution before the members for their approval at the ensuing Annual General Meeting.

Mr. P.D. Karkaria, Mr. B.B. Desai, Mr. J.A. Moos and Mr. N.J.N. Vazifdar, Non-Executive independent Directors of the Company are deemed to be concerned or interested in this Resolution.

The Board commends the passing of the Resolution as set out at item No. 8 of The Notice convening the meeting.

By Order of the Board of Directors

B. R. TARAFDAR
Company Secretary

Mumbai, 24th June 2005.

FINANCIAL HIGHLIGHTS

	(Rs.'000)	31-3-2005	31-3-2004	31-3-2003	31-3-2002	31-3-2001	31-3-2000
OPERATION							
Sales (Net)		352,976	284,962	271,895	319,955	245,918	214,939
Other Income		708	478	623	1,650	1,715	1,626
Operating Income		20,568	21,671	29,426	30,253	20,328	14,053
[Before Depreciation and Investment Allowance]							
Profit before Tax		12,300	14,091	20,331	21,540	14,443	8,423
Profit after Tax (including prior period items)		7,910	11,444	14,792	14,461	9,803	6,983
Dividend and Corporate Tax thereon		5,131	6,769	6,769	5,400	4,628	3,660
Retained Earnings		2,779	4,675	8,023	9,061	5,175	3,323
Earnings per Share (Rs.)		2.64	3.81	4.93	4.82	3.27	2.33
[On Face Value of Rs.10/-]							
ASSETS							
Gross Block		179,835	176,648	170,920	167,306	155,067	140,133
Net Block		108,673	112,461	104,279	110,354	105,353	96,522
Net Current Assets		94,878	79,882	83,765	79,350	72,123	47,503
Total Assets		248,177	218,934	214,115	223,869	208,513	189,837
NET WORTH							
Equity Capital		30,000	30,000	30,000	30,000	30,000	30,000
Reserves and Surplus		86,193	83,886	79,822	73,023	88,126	84,246
Net Worth		116,193	113,886	109,822	103,023	118,126	114,246
Book value per share (Rs.)		38.73	37.96	36.61	34.34	39.38	38.08
[On Face Value of Rs.10/-]							
BORROWINGS							
Long Term		8,986	3,790	9,468	17,147	10,136	3,124
Short Term		58,077	55,703	48,958	49,254	48,252	30,351
		67,063	59,493	58,426	66,401	58,388	33,475
RATIOS							
Profit before tax to Sales and other Income	%	3.48	4.94	7.46	6.70	5.83	3.89
Profit before tax to Net Worth	%	10.59	12.37	18.51	20.91	12.23	7.37
Dividend to Equity Capital	%	15	20	20	18	14	10
Dividend to Net Worth [Yield]	%	4	6	6	5	4	3
Return on Capital Employed	%	10	12	15	18	16	15
Dividend Cover	Times	1.54	1.69	2.19	2.68	2.12	1.91
Current Ratio	Ratio	1.62:1	1.67:1	1.83:1	1.57:1	1.34:1	1.40:1
Long Term Debt:Equity	Ratio	0.30:1	0.13:1	0.32:1	0.57:1	0.34:1	0.10:1

DIRECTORS' REPORT

To
The Shareholders.
The Directors are pleased to present the Twenty-Third Annual Report and Audited Accounts for the year ended 31st March 2005.

1. FINANCIAL RESULTS

	Rs.'000	
	31-3-2005	31-3-2004
Net Sales	352,976	284,962
Other Income	708	478
Sales and Other Income	353,684	285,440
Operating Profit (before Depreciation)	20,568	21,671
Less : Depreciation	8,268	7,580
Profit before tax	12,300	14,091
Less : Provision for Tax		
Current Tax	4,155	4,830
Deferred Tax Credit	968	(1,187)
Profit after Tax	7,177	10,448
Prior period adjustment	733	996
Net Profit after prior period items	7,910	11,444
Add : Balance brought forward	23,896	21,721
Profit available for Appropriation	31,806	33,165

APPROPRIATION:

Transfer to General Reserve	1,500	2,500
Dividend on Equity Shares	4,500	6,000
Corporate Dividend Tax	630	769
Balance Carried Forward	25,176	23,896
	31,806	33,165

2. DIVIDEND

The Directors recommend a dividend of 15% for the year (previous year 20%) on the equity shares, for approval at the Annual General Meeting.

3. CAPITAL AND FINANCE

The Company continues to source its working capital from Union Bank of India, with enhanced facilities amounting to Rs.62.50 million.

The Company has also availed of Rupee Term Loan of Rs. 10.00 million for financing a Blown Film Line.

The Company has repaid Rs. 5.34 million against the Term Loan to Union Bank of India during the year.

4. FIXED DEPOSIT

The Company continued accepting Fixed deposits from the public during the year under review. The Company received Rs. 2.50 million under the scheme during the year. At the close of the year there were no Fixed Deposits due for payment which remained

either unclaimed or unpaid, except 25 deposits amounting to Rs. 359,000, which have matured but not claimed. Of these, 2 deposits, amounting to Rs. 20,000 have been renewed or repaid upto the date of this Report.

The Company has complied with all the requirements of the Companies (Acceptance of Deposits) Rules, 1975.

The Company's fixed deposit scheme is rated "FA-" by CRISIL, indicating "Adequate Safety".

5. OPERATIONS

Sales Income was higher by 27%, with a 10% increase in sales volume. Export volumes increased by 10% and contributed 40% to the sales volume, as compared to 41% in the previous year. The disproportionate increase in sales income, as compared to the increase in volume, is mainly due to the increase in prices of films, resulting from the inflation in prices of raw materials.

International prices (CIF) of raw materials increased by 30 to 35% (depending on the grade), over and above a similar increase in the previous year. Import duty reductions of 10%, towards the year end provided marginal relief by reducing the impact of price escalation, both for indigenous and imported raw materials.

The quality of power supplied by the Gujarat Electricity Board, does not meet the requirements of sensitive electronic drives or computer based continuous process operations for film production. Hence over 70% of the power required is generated in-house.

Several Cost reduction programmes initiated in the previous year, with continuing efforts made in the current year, helped to contain the impact of escalating raw material and fuel costs on profitability.

The relentless inflation in raw material prices, month after month, made the task of recovering these costs, through sales price increases, very demanding. In this process it was inevitable that some profit margins and sales volumes would suffer, until customers came back with acceptance of higher film prices.

Appropriate organisation changes were made to provide a focus on innovation in films for new speciality applications. Two such products, unique to the Country were successfully evaluated and a beginning made in commercial sales. In the domestic and export markets the Company is either a leader or exclusive supplier of six speciality films.

Working with ISO 9001-2000 systems, "customer satisfaction" ratings improved. Customer returns of film, as a percentage of sales, on grounds of quality, were the lowest ever and significantly better than the average prevailing in the United States (Society

of Plastics Industry, USA, survey). Raw material consumption efficiency in production, was also the highest ever.

6. PROSPECTS FOR THE CURRENT YEAR

Business volumes both domestic and exports will continue to grow. New films in speciality applications, will provide the impetus to improving margins.

Some stability in raw material prices is expected over the year; however fuel prices for power generation will increase.

Production capacities are nearing saturation levels; the Company has identified projects for diversified film products and expansion of capacity.

7. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Information in accordance with Clause (e) of Sub-section (1) of Section 217 of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the financial year ended 31st March, 2005 is given in the Annexure to the Report.

8. PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act 1956 read with the Companies (Particulars of Employees) Rules, 1975 is not provided, as the same is not applicable to employees of the Company.

9. AUDITORS' QUALIFICATIONS

The Auditors are required to qualify in their Report, with regard to the issue of Bonus Shares to the tune of Rs. 10 Million by capitalisation of Revaluation Reserves in June, 1994, on the plea that this is contrary to the recommendation of the Institute of Chartered Accountants of India.

In this connection the Directors would again like to clarify that the Company has been legally advised that the then prevailing provisions of the Companies Act, 1956 did not prohibit or restrict the Company from capitalizing its Revaluation Reserves by issue of Bonus Shares. The Capitalisation did not involve any release of the Company's assets to its shareholders, and in fact it froze any possibility of its distribution, except in the event of winding up.

Furthermore the Memorandum and Articles of Association of the Company also provided for and permitted the capitalization of Revaluation Reserves by issue of Bonus Shares. The Bonus Shares were issued when the Company was a closely held Company, to whom the guidelines for issue of Bonus Shares by Public Company, as framed by SEBI, did not apply at the relevant time.

The Auditor's qualification was also based on the recommendation issued by the Institute of Chartered

Accountants of India subsequent to the Company's issue of Bonus Shares. The Directors are therefore of the opinion that both according to the accounting principles and principles of Company Law, the Company was justified in capitalizing its Revaluation Reserve.

10. SUBSIDIARY COMPANY

As required under Section 212 of the Companies Act, 1956, Audited Statement of Accounts, Report of the Board of Directors and Auditors for the year ended 31st March 2005, for JAMPORE PRINTERS LIMITED are annexed herewith.

11. LISTING OF EQUITY SHARES

The Company's equity shares are listed on the Stock Exchange at Mumbai.

The Company has paid listing fees for the period 1st April, 2005 to 31st March, 2006.

The Company has voluntarily de-listed its shares from the Vadodara Stock Exchange with effect from 14th March -2005.

The Company's shares are now traded in dematerialized Form.

12. DIRECTORS

Mr. J.A Moos, Director of the Company retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

13. CORPORATE GOVERNANCE

Report on Corporate Governance is annexed hereto and forms part of this Report.

14. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors have fulfilled their responsibility for the preparation of the accompanying financial statements by taking all reasonable steps to ensure that:

- These statements have been prepared in conformity with generally accepted accounting principles and appropriate accounting standards. Judgments and estimates that are reasonable and prudent have been made where necessary.
- The accounting policies selected and applied consistently give a true and fair view of the financial statements.
- The company has implemented internal controls to provide reasonable assurance of the reliability of its financial records, proper safeguarding and use of its assets and detection of frauds and irregularities. Such controls are based on established policies and procedures, and are implemented by trained, skilled and qualified personnel with an appropriate segregation of duties. The Company's internal auditors conduct regular internal audits, which complement the internal controls. "Integrity" is one of the core values of the Company, which prescribes that the company and all employees are to maintain

the highest ethical standards and that its business practices are to be conducted in a manner above reproach.

- d. The Company's statutory auditors, M/s. Akkad Mehta & Co. have audited the financial statements in accordance with generally accepted auditing standards and practices as indicated in their report.
- e. The Directors are satisfied that the Company has adequate resources to continue its business in the foreseeable future and consequently consider it appropriate to adopt the Going Concern basis in preparing financial statements.

15. AUDITORS

M/s. Akkad Mehta and Co., Chartered Accountants, Auditors of the Company retire at the ensuing Annual General Meeting, and are eligible for reappointment. A Certificate to the effect that their reappointment

if made, will be in accordance with the limit specified in Sub-section (1-B) of Section 224 of the Companies Act, 1956 has been furnished.

16. ACKNOWLEDGMENT

The Board wishes to place on record its appreciation for the continuing efforts and dedication of all employees, in a difficult year. The Directors wish to acknowledge the support and co-operation extended by Union Bank of India, The Tata Share Registry, solicitors M.S. Bodhanwalla & Co., depositors, creditors, other stake holders and not the least its shareholders for their continuing support and confidence in the Company.

On behalf of the Board of Directors

P. P. KHARAS

Chairman & Managing Director

Mumbai, 24th June 2005 .

ANNEXURE TO THE DIRECTORS' REPORT

STATEMENT CONTAINING PARTICULARS PURSUANT TO THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTOR'S REPORT.

A. CONSERVATION OF ENERGY

Adequate measures have been taken to avoid waste of energy. The requirement of disclosure with respect to conservation of energy is not applicable to the Company.

B. TECHNOLOGY ABSORPTION

RESEARCH & DEVELOPMENT (R & D)

1. Several new film structures were developed for consumer flexible packaging applications and for non-packaging applications. The range of speciality adhesive films was extended to other applications, with promising growth potential.

2. For our customers these developments meant higher market penetration; for the Company it meant moving to speciality and higher value films.

These developments helped generate more foreign exchange from exports and establish the Company, as a supplier of films, that is innovative, dependable and with an accent on Quality.

3. Future plan of action :-

- (a) To continue development of special purpose films which are currently being imported.
- (b) To evaluate new generation of polyolefins, that have the potential to provide lighter weight packaging (lower thickness), without compromising on performance or which can be employed for higher packaging speeds, while maintaining the seal integrity of the pack.
- (c) To simulate packaging conditions and provide to customers comparative behaviour of existing

and new polymers on packaging systems.

4. R & D Expenditure

(Rs'000)

	31.03.05	31.03.04
a) Capital Expenditure	—	—
b) Recurring Expenditure	653	610
c) Total Expenditure	653	610
d) Total R & D Expenditure as a percentage of total turnover (indirect overheads in terms of significant time, effort and the infrastructure supporting the R & D programme are not reflected in the above figures).	0.18%	0.21%

a) Capital Expenditure

b) Recurring Expenditure

c) Total Expenditure

d) Total R & D Expenditure as

a percentage of total turnover (indirect overheads in terms of significant time, effort and the infrastructure supporting the R & D programme are not reflected in the above figures).

TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

Continuous efforts are made towards technology absorption, adoption and innovation by developing new film structures for applications in speciality market segments. The thrust has been on improving the quality of all products and developing new products to compete effectively in the market place.

No technology has been imported by the Company over the last five years.

FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars with regard to Foreign Exchange Earnings and Outgo appear in Schedule 17 under Note 13 forming part of the accounts.

On behalf of the Board of Directors

P. P. KHARAS

Chairman & Managing Director

Mumbai, 24th June, 2005