

KALPANA INDUSTRIES LIMITED

21ST ANNUAL REPORT

2005-2006

COMPOUND GROWTH, MULTIPLIER SUCCESS.....

BOARD OF DIRECTORS

Mr. D. C. Surana, Chairman
Mr. N. Guha, Director
Dr. P. Ghosh, Director
Dr. R. Dasgupta, Director
Mr. N. K. Surana, Managing Director

COMPANY SECRETARY

Mr. Manoj Kumar Jain

AUDITORS

M/s. D. C. Dharewa & Co.
Chartered Accountants,
41, N. S. Road
Kolkata-700 001

BANKERS

Dena Bank.

REGISTERED OFFICE

2B, Pretoria Street,
Kolkata-700 071.

BRANCH OFFICE

106, Laxmi Plaza, Laxmi Industrial Estate,
1st Floor, New Link Road
Andheri (West), Mumbai - 400 053

WORKS

Survey No. 168, Plot No. 151 - 158,
Dabhel Industrial Co-operative Society Ltd.,
Dabhel, Daman-396 210

Survey No. 24/3
Demni Road, Dadra,
Dadra & Nagar Haveli - 396230

Bhasa 14 No. D. H. Road
24 Parganas (S)
West Bengal - 743 503

REGISTRAR & TRANSFER AGENTS

S. K. Computers,
34/1A, Sudhir Chatterjee Street,
Kolkata - 700 006.

NOTICE

Notice is hereby given that the Twenty First Annual General Meeting of the Members of KALPANA INDUSTRIES LIMITED will be held at **Gyan Manch 11, Pretoria Street, Kolkata 700071** on **Wednesday, 13th September, 2006** at **10.30 a.m.** to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2006 and the Profit & Loss Account for the year ended as on that date together with the reports of the Directors and the Auditors thereon.
2. To declare dividend on the equity shares of the Company.
3. To appoint a Director in place of Shri D C Surana, who retires by rotation, and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri N Guha, who retires by rotation, and being eligible offers himself for re-appointment.
5. To appoint Auditor in place of M/S D C Dharewa & Co. Chartered Accountants, Kolkata, who retire by rotation, and being eligible, offer themselves for re-appointment, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next, at a remuneration fixed by the Board of Directors.

Kolkata
the 29th July, 2006

By order of the Board

(Manoj Kumar Jain)
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING. A PROXY SO APPOINTED SHALL NOT HAVE ANY RIGHT TO SPEAK AT THE MEETING. THE BLANK PROXY FORM IS ENCLOSED.
2. The Register of Members and the Share Transfer Books of the company shall remain closed from Wednesday, 6th September, 2006 to Wednesday, 13th September, 2006 (both days inclusive).
3. The dividend, as recommended by the Board, if declared at the Board Meeting, will be paid, subject to the provisions of Section 206A of the Companies Act, 1956 to those members or their mandates whose names stand registered on the Company's Register of Members:
 - a) as Beneficial owners as at the end of business on 5th September, 2006 as per list to be furnished by NSDL and CDSL with respect to shares held in Electronic Form.
 - b) as members in the Register of Members of the company after giving effect to valid share transfers in physical form lodged with the Company or the Share Transfer agents: M/S S K Computers 34/1A Sudhir Chatterjee Street, Kolkata 700 006 on or before 5th September, 2006.

4. Members are requested to notify immediately any change in their address, to their DP in respect of their Electronic Share Accounts and to the Registrar in respect of their physical shares, as the case may be.
5. The dividend shall be distributed vide ECS or direct credit to the Members bank account. Members are requested to furnish details of ECS Mandate as per details attached at the end of the Annual Report 2005-06.
6. Shareholders who are interested in making nominations in respect of their shareholding in the company in physical form as permitted under Section 109-A of the Companies Act, 1956 are requested to submit the Form 2B to the Registrar & Transfer Agent of the company.
7. Queries on Accounts of the company, if any, may please be sent to the registered office of the company seven days in advance of the Meeting, so as the answer may be made available at the Meeting.
8. For the convenience of members and for proper conduct of the meeting entry to the place of the meeting will be regulated by attendance slip. Members are requested to affix their signature at the place provided on the attendance slip and hand it over at the entrance to the venue.
9. Reappointment of Director :-

At the ensuing Annual General Meeting, Shri D C Surana and Shri N.Guha, retire by rotation and being eligible, offer themselves for re-appointment. The Information or details pertaining to them pursuant to Clause 49(VI)(A) of the Listing Agreement with the Stock Exchange(s) are furnished in the statement on Corporate Governance published in the Annual Report.
10. Members attending the Annual General Meeting are requested to bring the following with them (as applicable)
 - i. Members holding shares in dematerialised form, their DP & client ID number(s)
 - ii. Member holding shares in physical form, their folio number.
 - iii. Attendance slip.
 - iv. Copy of Annual Report 2005-06
 - v. Corporate Members intending to send their authorized representatives are requested to send a duly certified copy of the Board resolution authorizing their representatives to attend and vote at the Annual General Meeting.

By order of the Board

Kolkata
the 29th Day of July, 2006

Manoj Kumar Jain
Company Secretary

KalpANA Industries Limited**DIRECTORS' REPORT**

TO

THE SHAREHOLDERS

Your Directors have pleasure in presenting their 21st Annual Report together with the Audited Accounts of your Company for the year ended 31st March, 2006.

1. FINANCIAL RESULTS**RUPEES IN THOUSANDS**

	For the year Ended 31-03-2006	For the Year Ended 31-03-2005
Profit Before Depreciation And Interest	108477	66988
Less : Interest	29777	14002
Profit after Interest	78700	52986
Less : Depreciation	18246	14480
Profit before tax	60454	38506
Less : Provision for Tax		
– Current	5100	3215
– Deferred	3000	5661
– Fringe Benefit	700	—
Prior period Item/Short+/(–)	152	362
Profit after tax	51502	29268
Add : Balance B/F from the Previous Year	75563	63427
Profit available for Appropriation	127065	92695
APPROPRIATIONS:		
(i) Proposed Dividend	18486	10640
(ii) Corporate Dividend Tax	2593	1492
(iii) Amount carried to General Reserve	6000	5000
(iv) Balance carried to Balance Sheet	99986	75563
	127065	92695
EARNINGS PER SHARE	6.76	3.85

2. DIVIDEND

The Board of directors of the company has recommended a Dividend of Rs. 1.60 per Share (Rs. 1.40 per share previous year) on the 11553600 Equity Share of the company of Rs. 10/- each fully paid subject to the approval of share holders of the Company at the ensuing Annual General Meeting. The company has allotted 3953600 Equity Shares of Rs.10/- on 27th June, 2006 as fully paid up pursuant to the amalgamation of Kalpana Plastics (P.) Ltd. with your company as per order dated 28th September, 2005 of Hon'ble High Court, Kolkata.

Your Directors wish to inform that a sum of Rs. 32,56,572.00 was lying as Unclaimed Dividend as on 21st January, 2006.

3. OPERATIONS

Your directors have noted with delight that your Company has shown a rise of 76% in Earnings per Share, mainly due to a rise in Sales of Rs. 40 Crores (approx.)

Detailed discussion in relation to the operations of the company has been done in the Management Discussion and Analysis separately annexed to the Annual report.

4. ALLOTMENT of EQUITY SHARES

Pursuant to the Scheme of Amalgamation of Kalpana Plastics Pvt. Ltd.(KPPL) with the Company u/s 391/394 of the Companies Act, 1956, approved by the Hon'ble High Court, Kolkata vide their order dated 28th September, 2005, the Board of Directors of the Company, in their meeting held on 27 June, 2006, allotted 39,53,600 shares of Rs. 10/- each of the Company to the holders of 2,82,400 shares of Rs.100/- each of KPPL as per the Exchange Ratio of 70(Seventy) equity shares of the Company of Rs. 10/- each, credited as fully paid up, for 5(Five) equity shares of Rs. 100/- each, fully paid up, held in KPPL, laid down in the Scheme of Amalgamation. For the purpose the company had also increased its Authorised Share Capital from Rs. 10 Crore to 12 Crore during the financial year.

5. LISTING

An application for listing of the said 39,53,600 shares of Rs. 10/- each of the Company shall be made to the Stock Exchanges on which the shares of the Company are listed.

6. MARKETING

The company continued to increase its market share in all its products in global and domestic markets. While it has taken initiative for brand building and marketing in the overseas market, the company has successfully marketed its PVC Compound and XLPE Compound to reputed clients.

7. FUTURE PROSPECTS

The company hopes to continue making greater inroads into the Indian and foreign markets. Although the prospect of your company is absolutely dependent on the Indian Economy, your directors are hopeful of better financial results in future due to a number of cost cutting measures undertaken and streamlining of a number of the company's products.

8. HUMAN RESOURCE DEVELOPMENT

Your company is a learning organization and recognizes knowledge as a tool for growth. The management believes that employees' knowledge, skill and practices need to keep pace with the ever-changing environment. Providing staff with access to development opportunities suited to their potential and job requirements is primarily the responsibility of supervisors. An important factor in promoting individual development is to allow performance to have a direct impact on compensation. A growing proportion of an employee's annual compensation is linked to his or her achieving defined objective, particularly in case of managerial position.

9. PUBLIC DEPOSITS

Your Company has not accepted any deposits during the year under review.

10. INDUSTRIAL RELATIONS

Your company had harmonious industrial relations at all levels of organization. Your Directors wish to place on record the maximum co-operation extended by the employees in maintaining congenial working atmosphere.

11. DIRECTORS

Pursuant to Section 256 of the Companies Act, 1956, read with Article No. 100(2) and 101 of the Articles of association, Directors Shri D C Surana and Shri N Guha retire by rotation at the forthcoming Annual General Meeting but being eligible offer themselves for reappointment.

12. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that

1. In the preparation of the Annual Accounts, the applicable Accounting Standards have been followed.
2. Appropriate accounting policies have been selected and applied consistently. Judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs at the end of the financial year and of the profit of the Company for the financial year ended March, 31, 2006.
3. Proper and sufficient care has been taken 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.
4. The annual accounts have been prepared on a going concern basis.

13. CORPORATE GOVERNANCE

Pursuant to clause 49 of the Listing Agreement with the stock exchange(s), a Management Discussion and Analysis Report and Corporate Governance Report together with the certificate from the Auditors of the company certifying compliance of the same have been made a part of the Annual Report.

14. AUDITORS

M/S D.C. Dharewa & Co., Chartered Accountants, Kolkata will retire at the conclusion of forthcoming Annual General Meeting as auditors of the Company and being eligible offer themselves for reappointment.

15. AUDITORS' REPORT

The Report of the Auditors pertaining to the Accounts in respect of the year ended 31st March, 2006 read with Notes on Accounts are self-explanatory and, therefore, do not require any further clarification.

16. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO.

The reports on conservation of energy or technology absorption and foreign exchange earning and outgo as required under section 217 (1)(e) of the Companies Act, 1956 are enclosed as Annexure-A to this report..

17. PARTICULARS OF EMPLOYEES

None of the employees employed throughout the year or part of the year was in receipt of remuneration the aggregate of which exceeds the limit as prescribed under 217(2A) of the Companies Act, 1956 for disclosure in the Report of Board of Directors.

18. ACKNOWLEDGEMENT

Your Directors are grateful to the Company's Bankers, financial Institutions and also to the Central and State Governments for their continued support. Your Directors are particularly grateful to you for your unstinted support.

Your directors also wish to place on record their appreciation of the hard work and dedication of the employees at all levels.

By order of the Board

Kolkata
the 27th Day of June, 2006

(Dalam Chand Surana)
Chairman

ANNEXURE-'A'

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF DIRECTORS) RULES' 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2006

A. CONSERVATION OF ENERGY

The Company is committed to and continues its efforts towards conservation of energy. The executive committee continued its study into further possible and feasible means and methods by which the Company optimizes the use of energy. The Committee is dedicated towards implementation of strategy for superior energy management with tools and resources to help each step of the way.

a) Energy conservation measures taken :

In addition to the existing measures being practised, the following steps were taken :

- Education of workforce at the Head Office regarding use of various office equipments, especially computers, in a manner that use less energy.
- Installation of energy efficient equipments, such as Compact Fluorescent Light Bulbs (CFLs) and Battery Charging Systems at all offices.
- Adoption of policy of having our heating and cooling equipment serviced regularly.

b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy :

- Rationalisation of plants to save optimise use of energy is being done.
- Means of conservation of energy currently being utilised in process plants is being studied.

c) Impact of the above measures :

- Energy usage has been controlled due to above mentioned efforts.

d) Total energy consumption & energy consumption per unit of production

- As per form 'A' enclosed

B. TECHNOLOGY ABSORPTION

- As per Form 'B' Enclosed

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

a) Activities relating to export, initiatives taken to increase exports, development of new export markets for products and services and export plans :

Company is making serious efforts for marketing of its products in global markets. Effective steps have been taken in this regard and company is receiving good responses to its efforts.

b) Total Foreign exchange used and earned :

	Rs. in 000's	
	Year ended 31st March, 2006	Year ended 31st March, 2005
Total Foreign Exchange earned	210577.00	180133.00
Total Foreign Exchange used	559520.00	238517.00

Kalpana Industries Limited

FORM A**DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY**

A. POWER AND FUEL CONSUMPTION	Unit	Current Year	Previous Year
1. Electricity			
a) Purchased			
Unit	KWH	9101220	6895488
Total Amount	Rs.	29217722	18962592
Rate/Unit	Rs./KWH	3.21	2.75
b) Own Generation (Through Diesel Generator)			
Units	KWH		
Total Amount Rs.	Rs.	9876773	2209678
Rate/Unit (Average)	Rs./KWH	7.92	7.85
2. Coal		NIL	NIL
3. Furnace Oil		NIL	NIL
4. Other/Internal Generation		NIL	NIL

B. CONSUMPTION PER UNIT OF GENERATION :

1. PVC, XLPE Compounds & Master Batches			
Net Saleable Production	Kgs.	36691537	23082991
Electricity	KWH/Ton	272.56	267.07
2. Embroidery of Fabrics			
Net Saleable Production	MTRS	—	746762
Electricity	KWH/MTRS	—	0.90
3. Soles and Hawaii Chappals			
Net Saleable Production	Pairs	6950769	6801610
Electricity	KWH/Pair	0.05	0.05

FORM B**DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION :****RESEARCH & DEVELOPMENT**

- a) Specific areas in which R & D is carried out by the company :
- ☐ Horizontal and Vertical expansion of Company's product profile
 - ☐ New & Improved Product Development
 - ☐ Upgradation of R & D Lab, efforts are being made to develop state of the art R & D Centre at Daman works to cater to the growing demand for Hi-Tech products
- b) Benefits derived as a result of R & D :
- Efficiency and yield improvement, loss reduction and modernisation programme.
- ☐ Import Substitution
 - ☐ Increased market share for various products
 - ☐ Better market penetration of various products
 - ☐ Developments of various grades of PVC & XLPE Compounds to meet changing markets needs.
- c) Future Plan of Action :
- ☐ The R & D Centre has undertaken development of various grades of PVC Compound to meet the changing conditions.
- d) Expenditure on R & D :

	Rs. in '000s	
	Year ended 31st March, 2006	Year ended 31st March, 2005
Capital	2029	362
Recurring	243	378
Total R & D Expenditure	2272	740
As a percentage of total turnover	0.12	0.05

TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

- a) Efforts, in brief, made towards technology absorption, adoption and innovation :
- as above.
- b) Benefits derived as a result of the above efforts : New products are being developed for polymer mixing by upgradation and innovation as enumerated above.
- c) No import of technology was carried out during the last 5 years from the beginning of financial year.

Registered office : 2B, Pretoria Street
Kolkata – 700 071

For and on behalf of Board of Directors

Date : the 27th Day of June, 2006

D. C. SURANA
Chairman