



KEMROCK
Industries and Exports Limited

Report *13th* tion.com

Annual Report

2006-07


KEMROCK
 Industries and Exports Limited

BOARD OF DIRECTORS

 Kalpesh Patel *Chairman & Managing Director*

Kaushik Bhatt

Rohit Kothari

Mukund Bakshi

Navin Patel

Company Secretary

Dinesh Patel

Auditors

H. K. Shah & Co., Ahmedabad

Bankers

Punjab National Bank

Canara Bank

State Bank of India

Indian Bank

Allahabad Bank

Regd. Office & Works

Village Asoj

Vadodara-Halol Express Way

Tal. Waghodia

Dist. Vadodara – 391 510

Gujarat (India)

Website : www.kemrock.com

Contents

Notice.....	1
Directors' Report.....	5
Report on Corporate Governace.....	11
Auditors' Report.....	16
Balance Sheet.....	18
Profit and Loss Account.....	19
Schedules forming part of the Accounts.....	20
Balance Sheet Abstract & Company's General Business Profile...	29
Cash Flow Statement.....	30

Registrar & Transfer Agents

Intime Spectrum Registry Ltd

308, 1st Floor, Jaldhara Complex

Opp. Manisha Society

Off Old Padra Road, Vasna Road

Vadodara– 390 015

Email: vadodara@intimespectrum.com

Tel.: (0265) 2250241

Fax: (0265)2250246


KEMROCK

Industries and Exports Limited

NOTICE TO MEMBERS

NOTICE is hereby given that the THIRTEENTH ANNUAL GENERAL MEETING OF KEMROCK INDUSTRIES AND EXPORTS LIMITED will be held at the Registered Office of the Company at Village Asoj, Vadodara-Halol Express Way, Tal. Waghodia, Dist. Vadodara-391 510, Gujarat State, on Thursday, the 20th day of September, 2007 at 10:00 a.m., to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2007 and the Profit and Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Kaushik Bhatt, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint M/s. H. K. Shah & Co., Chartered Accountants, the retiring Auditors as Auditors, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT, Mr. Navin Patel, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 17th August 2007, and who holds office only upto the date of this Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 ("Act") and in respect of whom the Company has received a notice in writing from a Member under Section 257 of the Act proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company."

5. To consider, and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED, in partial modification of Resolution No. 6 passed by the members at the 11th Annual General Meeting held on 18th August 2005 approving the appointment and terms of remuneration of Mr. Kalpesh Patel as Managing Director of the Company, **THAT** pursuant to the provisions of Sections 198, 269, 309, 310 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956 (the 'Act'), including any statutory modification or re-enactment thereof from time to time and in force, the consent of the members of the Company be and is hereby accorded to the revision in remuneration of Mr. Kalpesh Patel as Managing Director for the remaining period of his tenure of office, effective 01st September, 2007, as set out in the Explanatory Statement annexed to the Notice convening this meeting and also the supplemental agreement to be entered into by and between the Company and Mr. Kalpesh Patel; and that, all other terms and conditions of appointment as was set forth in the explanatory statement to the notice convening the 11th Annual General Meeting for the then proposed special resolution approved by the members

on 18th August 2005, and also the terms of appointment contained in Agreement dated 18th August, 2005 executed by and between the Company and Mr. Kalpesh Patel remain unchanged.

RESOLVED FURTHER THAT, in any case, the above revision in remuneration of Mr. Kalpesh Patel in any financial year shall not exceed, in aggregate, the permissible limits of remuneration prescribed from time to time under Sections 198 and 309 of the Act read with Schedule XIII to the said Act or any statutory modifications or re-enactment thereof for the time being in force and computed in the manner laid down in Section 309(5) of the Act; and in the event of loss or inadequacy of profits in any financial year during the currency of tenure of service of the Managing Director, the payment of remuneration shall be governed under Section II of the Part II of Schedule XIII to the Companies Act, 1956.

RESOLVED FURTHER THAT in the event of any statutory amendment or relaxation brought by the Central Government to the Act or to Schedule XIII of the Act, the Board be and is hereby authorised to vary or increase the remuneration including the perquisites in line with such relaxation or amendment; and the Agreement between the Company and Mr. Kalpesh Patel be suitably amended to give effect to such modification, relaxation or variation without any further reference to the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorised at its discretion from time to time to fix the remuneration and / or perquisites of Mr. Kalpesh Patel and revise the same; and is further authorised to vary / modify / amend any of the aforesaid terms and conditions, provided such variation / modification / amendment is in conformity with the applicable provisions of the Companies Act or any amendments or re-enactment thereof for the time being in force.

RESOLVED FURTHER THAT, the Board be and is hereby authorised to do all such acts, deeds, matters or things as may be considered necessary, appropriate, expedient or desirable to give effect to this resolution."

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

"RESOLVED THAT pursuant to Section 293(1)(d) of the Companies Act 1956 (including any statutory modification or re-enactment thereof for the time being in force) and the Articles of Association of the Company; and in suppression of the earlier resolution passed by the Company thereof, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to continue to borrow such sum or sums of money in any manner from time to time, as may be required for the purpose of the business of the Company, with or without security and upon such terms and conditions as they may think fit, notwithstanding that the moneys so borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained to be obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate for the time being of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purposes, provided however that the total

**KEMROCK**

Industries and Exports Limited

amount so borrowed (apart from temporary loans obtained/to be obtained from the Company's bankers in the ordinary course of business) shall not at any time exceed the limit of Rs. 1,000 Crores (Rupees One Thousand Crores Only).

RESOLVED FURTHER THAT, the Board of Directors be and is hereby authorized to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question or difficulty that may arise in respect of the borrowing(s) aforesaid; and further, to execute all documents and writings and take all such other steps as may be necessary or desirable to give effect to this resolution."

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

"RESOLVED THAT in suppression of the earlier resolution passed by the Members, the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and all other applicable provisions, if any, of the Companies Act 1956 (including any statutory modification or re-enactment thereof for the time being in force) to the creation by the Board of Directors of the Company of such mortgages, charges and hypothecations, on such of the assets of the Company, both present and future, in such manner as the Board may direct, together with power to take over the management of the Company in certain events, to or in favor of all or any of the financial institutions, banks or any other investing agencies or Trustees for the holders of debentures, bonds or other instruments which may be issued to and subscribed by all or any of the financial institutions, banks or any other investing agencies or any other person(s) or bodies corporate by private placement or otherwise, to secure rupee or foreign currency loans, debentures, bonds or other instruments of an equivalent aggregate value not exceeding Rs. 1,000 Crores (Rupees One Thousand Crores Only) together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premium on pre-payment, or on redemption, costs, charges, expenses and all other moneys payable by the Company to the aforesaid parties or any of them under the Agreements or Arrangements entered into/to be entered into by the Company in respect of the said loans, debentures, bonds or other instruments.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to finalize with the aforesaid parties or any of them, the documents for creating the mortgages/charges/hypothecations and accepting or making any alterations, changes, variations to or in the terms and conditions; and to do all such acts, deeds, matters and things and to execute all such documents and writings as it may consider necessary, for the purpose of giving effect to this Resolution."

By order of the Board of Directors
KEMROCK INDUSTRIES AND EXPORTS LTD

Date: 17th August 2007
Reg. Off.: Vill. Asoj
Vadodara-Halol Express Way
Tal. Waghodia, Dist. Vadodara-391 510

Dinesh Patel
Company Secretary

NOTES:

1. **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 THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. The instrument appointing a proxy, in order to be valid and effective, must be deposited with the Company at its registered office not less than 48 hours before the time fixed for holding the meeting.
3. Members/Proxies attending meeting should bring the Attendance Slip duly completed and may hand over the same at the entrance to the meeting hall.
4. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the Meeting.
5. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, setting out all material facts in respect of item Nos. 4 to 7 of the Notice is attached herewith.
6. The information to be provided under Clause 49IV(G)(i) of the Listing Agreement pertaining to the Director(s) being re-appointed is enclosed as Annexure-I to the Notice.
7. The Register of Members and the Share Transfer Books will remain closed from Tuesday, the 18th September 2007 to Thursday the 20th September, 2007 (both days inclusive).
8. Members holding shares in physical form are requested to notify immediately any change in their address to Company's Registrar and Transfer Agents viz., Intime Spectrum Registry Limited. Members holding shares in electronic form may update such details with their respective Depository Participants.
9. Members are requested to bring their copies of Annual Report at the Meeting. No copies will be provided at the Meeting as a measure of economy.
10. Queries on accounts and operations of the Company, if any, may please be sent to the Company seven days in advance of the Meeting so that the answers may be made readily available at the Meeting.
11. Members can avail of the facility of Nomination in respect of shares held by them in physical form pursuant to the provision of section 109A of the Companies Act, 1956. Members desiring to avail of this facility may send their Nomination in the prescribed Form No. 2B duly filled in to the Registrar and Transfer Agent viz., Intime Spectrum Registry Limited. The Nomination Form 2B can be obtained from the Registrar and Transfer Agent or the Secretarial Department of the Company at its Registered Office.
12. Members holding shares under multiple folios in the identical order of names are requested to consolidate their holdings into one folio.


EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.
Item No. 4
Appointment of Mr. Navin Patel as Director

Mr. Navin Patel was appointed by the Board of Directors as an Additional Director of the Company with effect from 17th August 2007. As per the provisions of Section 260 of the Companies Act, 1956, he holds office only up to the date of this Annual General Meeting of the Company, and is eligible for the appointment. The Company has received notice under Section 257 of the Companies Act, 1956, in respect of the candidate, proposing his appointment as a Director of the Company, along with the requisite deposit.

Details regarding the person proposed to be appointed as Director and his brief resume has been given in the Annexure-I attached to the Notice. Keeping in view his experience and expertise, his appointment as a Director of the Company is recommended.

Except Mr. Navin Patel, none of the other directors of the Company may be considered to be concerned or interested in passing of this resolution.

Item No. 5
Revision in Remuneration of Mr. Kalpesh Patel, the Chairman & Managing Director

At the 11th Annual General Meeting of the Company held on 18th August, 2005, the Members had approved the appointment of Mr. Kalpesh Patel as Managing Director on the remuneration as specified in the Explanatory Statement annexed to the Notice of the said meeting. However, considering the increased level of business activities and growth of the Company coupled with enlarged responsibilities of the Managing Director and also considering the improvement in the operational and financial performance of the Company, it was thought appropriate to revise the remuneration payable to Managing Director. The Remuneration Committee and the Board of Directors, at their meetings held on 17th August 2007, have accordingly revised the remuneration of Mr. Kalpesh Patel from Rs. 4 Lacs to Rs. 10 Lacs per month (inclusive of all) for the remaining period of his tenure of office, effective 1st September 2007 subject to approval by the Members, which in any case, in any financial year, shall not exceed the permissible limits of remuneration prescribed from time to time under Sections 198 and 309 of the Companies Act, 1956, read with Schedule XIII to the said Act or any statutory modifications or re-enactment thereof for the time being in force.

And in the event of loss or inadequacy of profits in any financial year during the currency of tenure of service of the Managing Director, the payment of remuneration shall be governed under Section II of the Part II of Schedule XIII to the Companies Act, 1956.

All other terms and conditions of the appointment of Mr. Kalpesh Patel, as approved earlier by the Members shall remain unchanged.

Your Directors, therefore, recommend the resolution for your approval.

Copies of the draft Supplemental Agreement to be entered into with Mr. Kalpesh Patel and the earlier resolution relating to his appointment and remuneration are open for inspection of the Members at the Registered Office of the Company during business hours on any working day till the date of the ensuing Annual General Meeting.

This Explanatory Statement together with the

accompanying Notice are to be treated as the relevant abstracts of the draft Supplemental Agreement between the Company and Mr. Kalpesh Patel under Section 302 of the Companies Act, 1956.

Mr. Kalpesh Patel is to be considered as interested in the Resolution pertaining to the revision in the terms of his remuneration as aforesaid. None of the other Directors is concerned or interested in the resolution.

Item Nos. 6 and 7
Increase in Borrowing Limits

Under Section 293(1)(d) of the Companies Act, 1956 (Act), the Board of Directors of the Company cannot, except with the consent of the Company in general meeting, borrow monies, apart from temporary loans obtained from the Company's bankers in the ordinary course of business, in excess of the aggregate of the paid-up capital and free reserves of the Company, that is to say reserves not set apart for any specific purpose. At the Annual General Meeting of the Company held on 26th August, 2006, the Members had accorded consent to the Board of Directors for borrowings upto Rs. 300 Crores.

As of now, the Company has availed the existing borrowing limit of Rs. 300 Crores to the extent of Rs. 199 Crores for existing projects.

Considering the long-term financial requirements of borrowed funds in view of the evident and rapidly growing business operations of the Company covering its existing range of products as well as for other imminent speciality products of near future, as also for meeting other corporate requirements, the Company will require additional funds from time to time. The Company has plan for expansion in existing products and also desires to undertake the manufacturing of speciality products, which are under active consideration and appraisal by the Board; and hence, the borrowing limit previously sanctioned by the members is proposed to be increased to Rs. 1,000 Crores. The purpose of this resolution is to seek members' consent for increase in the borrowing powers as set out in the resolution at Item No. 6.

The proposed borrowings of the Company may, if necessary, be secured by way of mortgages, charges and hypothecations, on such of the assets of the Company, both present and future, in favour of all or any of the financial institutions, banks or any other investing agencies or Trustees for the holders of debentures, bonds or other instruments. As the documents to be executed by, with, or in favour of, the lenders/parties may contain the power to take over the management and concern of the Company in certain events, it is necessary for the members to pass a resolution under Section 293 (1) (a) of the Act, for the creation of mortgages, charges and hypothecation to secure such borrowings.

The ordinary resolutions at Item No. 6 and 7 are therefore submitted to the meeting for consideration, and approval of members.

None of the Directors of the Company is, in any way, concerned or interested in the said resolutions.

By order of the Board of Directors
 KEMROCK INDUSTRIES AND EXPORTS LTD

Dinesh Patel
 Company Secretary

Date: 17th August 2007
 Reg. Off.: Vill. Asoj
 Vadodara-Halol Express Way
 Tal. Waghodia, Dist. Vadodara-391 510


KEMROCK
 Industries and Exports Limited

ANNEXURE - I

Information pursuant to Clause 49.IV.(G).(i) of the Listing Agreement pertaining to a Directors seeking re-appointment at the Annual General Meeting

Name of Director	Mr. Kaushik Bhatt	Mr. Navin Patel
Date of Birth	10.09.1954	02.01.1954
Date of Appointment	10.02.1996	17.08.2007
Expertise in Specific Functional Area	Legal Matters	Business Advisory
Qualification	B. Com.; LL.B. (Spl)	Master in Mathematics & Computer Science.
List of outside Directorship held as on March 31, 2007	NIL	NIL
Chairman / Member of the Committee of the Board of Directors of the Company as on March 31, 2007	CHAIRMAN of (i) Shareholders'/Investors' Grievance Committee and (ii) Remuneration Committee; and MEMBER of (i) Audit Committee; and (ii) Share Transfer Committee	NA
Chairman / Member of the Committee of the Board of Directors of Other Companies in which he is a Director as on March 31, 2007	NIL	NIL
Number of Shares held in the Company as on March 31, 2007	20,000	77,940

 Report  junction.com

DIRECTORS' REPORT

Dear Shareholders,

We take pleasure in presenting the Thirteenth Annual Report together with the Audited Accounts of the Company for the year ended 31 March 2007.

Financial Performance

(Rs. in-Lacs)

Particulars	2006-07	2005-06
Total Income	13,998.11	5,790.28
Profit Before Interest, Depreciation and Tax	4,115.69	1,511.51
Interest and Financial Expenses	1,408.17	664.18
Depreciation	686.34	321.05
Profit Before Tax	2,021.18	526.29
Less: Provision for Tax	152.96	25.00
Add/(Less) Deferred Tax Assets/(Liability)	24.67	(22.44)
Add/(Less) Prior Period Income/(Expenditure)	(28.50)	(25.81)
Net Profit	1,864.39	453.04

Your Company's performance during the year under report has been impressive with total income registering a quantum leap of 142% from Rs. 5,790.28 Lacs to Rs. 13,998.11 Lacs. The profit before tax was Rs. 2,021.18 Lacs as compared to Rs. 526.29 Lacs in previous year; and the net profit increased from Rs. 453.04 Lacs to Rs. 1,864.39 Lacs.

The Management Discussion and Analysis section of this report throws more light on various operational and business aspects of the Company for the year ended 31st March 2007.

Dividend

With a view to fuel the continued momentum of growth and development, your Directors felt prudent to plough back the profits and not to recommend any dividend for the year.

Management Discussion and Analysis

Overview

The Country's overall growth of GDP during 2006-2007 has been pegged at 9% plus, whereas overall industrial growth has been 11.5 % during 2006-2007 as compared to 8.2% in previous year. The percentage share of Manufacturing Industry in the GDP growth remained at about 15.5%. Strong consumption growth coupled with spurt in exports and investments activities has helped India to register double-digit industrial growth in financial year 2006-2007. Riding on this momentum of growth, your Company has achieved excellent performance with income and profits touching new heights.

Industry Structure and Developments

The company is operating in the business of manufacture and export of Fiberglass Reinforced Polymer Composites (FRP) and Speciality Resins. The Company caters to the needs of diverse industries like wind energy, oil and gas, chemical, petrochemical, pharmaceutical, transport, power generation, building & construction etc.

The Composite growth in last three years has been exponential in India. The main attribute for this growth is the fact that India is fast emerging as the engineering and technology hub for outsourcing. Coupled with this, the demand for new generation materials like FRP Composites is gaining wider acceptance from end user industries. The major markets for the continued growth of Composites will be Infrastructure, Mass Transport, Automotive, Wind energy and Corrosion Industries.

Carbon Fibre: The major markets for Carbon Fibre is in the advanced Composite applications like Hydrocarbon, Transport and Aerospace Industry. The demand for Carbon Fibre is increasing and currently is in short supply. Your Company has taken a step forward in becoming self sufficient to meet the future demand for high end Composites with plans to set up manufacturing facility for Carbon Fibres.

Joint Venture

During the year, your Company formed a joint venture entity (viz., Georgia Pacific Kemrock International Private Limited) with Georgia Pacific Resins Inc., of USA (now known as "GP Chemicals Equity LLC") for the marketing of speciality resins in India and abroad. Your Directors look forward to better business generation and sustained growth from the new joint venture.

Technology Tie-up

In April, 2007, the Company reached a technical know-how agreement with the National Aerospace Laboratories (NAL), a constituent of Council of Scientific and Industrial Research (CSIR), Bangalore. Under the agreement, the Company will produce and commercialize Carbon Fibre with the know-how developed by NAL. Carbon Fibre Technology is a high end technology enabling manufacture of strategic Composite materials with wide ranging applications. With this development, the Company's present range of Reinforced Polymer Composites will be further extended with these high end product applications finding place in many end use industries. This would have a positive impact on the growth and business of the Company.

Expansion of Epoxy Resins Plant

The first phase of expansion of Epoxy Resins Plant at the site was successfully accomplished during the year and plant was commissioned and made operational thereby adding new product to the existing range of products.

Financial Performance with respect to Operational Performance

Your Company has experienced strong growth in revenues and profits in the year under review.

Despite operating in a challenging environment, your Company achieved its highest ever sales and profitability during the year under report. The Net Sales increased by 140.79% from Rs. 5,785.91 Lacs in 2005-2006 to Rs. 13,932.07 Lacs in 2006-2007. The profit after tax improved to Rs. 1,892.89 Lacs as against Rs. 478.85 Lacs in the immediately preceding year showing an increase of 295.30%.



During the year, the Company made capital expenditure of about Rs. 8,777.64 Lacs, which was funded partly from increased long-term borrowing and balance from internal generations. The operating profit (PBITD) increased from Rs. 1,511.51 Lacs to Rs. 4,115.69 Lacs showing an increase of 172.29%.

Earning per share for the year was Rs. 26.65 per share versus Rs. 7.10 per share in previous year.

Opportunities and Business Outlook

India is becoming a base for export of composites with an estimated growth rate of about 25% through 2010 on account of low labour cost and good Engineering and Design Skills available locally.

The Company always endeavours to provide customers total Composite solutions in order to create value addition as well as continue to explore new products and processes that will provide products of international standards.

A major challenge in the future for the Company is to increase awareness among designers, industrial professionals and the users about the advantages and usage of composite materials and new application areas. On this path, the Company is actively exploring various options of developing high end speciality products with new applications.

The long-term outlook for the Reinforced Polymer Composites business remains robust. On the demand front, the global Reinforced Polymer Composites consumption has been growing over the past few years fuelled by an increasing preference for advanced composite materials. India is among the emerging markets for the outstanding growth potential in coming years in areas like Infrastructure, Wind energy, Mass Transport, Petrochemicals and Building Products. Based on the current trends, the FRP Industry is estimated to grow at 25 % annually in the coming years.

Segment-wise and Product-wise Performance

As the Company is primarily engaged in the manufacture of Fiberglass Reinforced Polymer Composites (FRP) and Resins products and as these products find markets domestically and internationally, the Company is considered to be operating in two different product segments as well as geographical market segments i.e., domestic and export.

On the export front, the Company's FRP products find major markets in U.S.A. and Europe, while the exports for Resins, compared to previous year, have found increasing markets in USA in addition to the existing markets in SAARC countries and the Middle East countries.

Threat and Risk Concerns

The Industry is facing following major threats and challenges:

- i. The recent strengthening of the Indian Rupee against US Dollar poses a continuing risk of appreciation in the value of Indian Rupee against US Dollar. This can adversely impact the export realization thereby affecting profitability of the Company.

- ii. Continuing volatility in rawmaterial prices due to spike in international crude oil prices.
- iii. Rising interest rates.
- iv. Changes in the Government policies of foreign countries like China, Korea, Taiwan etc., may affect the supply and prices of key rawmaterials.

Internal Control and its Adequacy

The Company has appropriate internal control system commensurating with its business processes with regard to efficiency of operations, inter-department communication, follow-up process, updated and reliable accounting records and financial reporting, which are essential for efficiently running the business. The Company has a clearly defined organizational structure and delegated authority. Matching with the growth and development of the business operations, sufficient controls are exercised through monthly, quarterly and annual business reviews by the management with further suggestions to improve and strengthen the internal control system with desired efficacy and adequacy.

Human Resources

With the manifold growth in breadth and width of its operations, the Company has been hiring suitable candidates to expand its pool of talents for efficiently running its operations as well as for meeting developmental needs.

The industrial relations climate of the Company continues to remain harmonious and cordial with focus on improving productivity, quality and safety.

Share Capital

During the year under report, the Company allotted 11,25,000 equity shares of Rs. 10/- each at a premium of 175/- per share to M/s. RPM International Inc., USA on preferential basis. The Company also issued 4,25,000 Warrants (carrying Part-A and B, each part comprising of 4,25,000 Warrants convertible into equity shares of Rs. 10/- each at a premium of Rs. 175/-) to an NRI Investor on preferential basis during the year. The Company allotted 42,500 equity shares to said NRI Investor upon exercise of option to convert 42,500 Warrants, attached to Part-A, into equity.

Consequent to allotment of total 11,67,500 equity shares, as aforesaid, during the year, the paid-up share capital of the Company has increased from Rs. 638.25 Lacs to Rs. 755.00 Lacs.

Board of Directors

In terms of the provisions of Sections 255 and 256 of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Kaushik Bhatt (the Director) retires by rotation at the ensuing Annual General Meeting of the Company and being eligible, offers himself for re-appointment. The particulars of Director retiring by rotation, pursuant to Clause 49 of the Listing Agreement, are given in Annexure-I appended to the Notice of the Annual General Meeting.

Mr. Navin Patel has been appointed as Additional Director on 17th August, 2007 and is an independent Director. As per the provisions of Section 260 of the



Companies Act, 1956, he holds office only up to the date of the forthcoming Annual General Meeting of the Company. The Company has received notice under Section 257 of the Companies Act, 1956 from a member proposing his appointment as a Director of the Company, along with the requisite deposit. Resolution seeking approval of the shareholders for his appointment has been incorporated in the Notice of the forthcoming Annual General Meeting alongwith brief details of the candidate.

Directors' Responsibility Statement

Pursuant to the requirement of Section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- a) in the preparation of the Annual Accounts for the year 2006-07, the applicable Accounting Standards have been followed by the Company;
- b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2007 and of the profit of the Company for the year ended on that date;
- c) 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; and
- d) the Directors have prepared the annual accounts of the Company on a 'going concern' basis.

Conservation of Energy, Technology Absorption & Foreign Exchange Earnings and Outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988, regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo are given in Annexure-A to this Report.

Particulars of Employees

Information as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, as amended, is given in an Annexure-B forming part of this report.

Corporate Governance

The Report on Corporate Governance, pursuant to Clause 49 of the Listing Agreement with the Stock Exchange as set out separately on page 11 as also the Management Discussion and Analysis Report contained in this report of the Directors form part of the Annual Report. A Certificate from the Statutory Auditors of the Company on compliance of Clause 49 of the Listing Agreement confirming the compliance of the conditions and provisions of the Corporate Governance is annexed to this Report as Annexure-C, which forms part of the Directors' Report.

Public Deposits

The Company has not accepted any public deposit and, as such, no amount on account of principal or interest thereon was outstanding on the date of Balance Sheet.

Auditors

M/s. H. K. Shah & Co., Chartered Accountants, Ahmedabad, the Statutory Auditors of the Company hold office upto the conclusion of the forthcoming Annual General Meeting of the Company and are eligible for reappointment. The Company has received confirmation from M/s. H. K. Shah & Co., to the effect that their appointment, if made, would be in conformity with the limits prescribed in Section 224 of the Companies Act, 1956. Accordingly, the approval of Members is sought at the Annual General Meeting for their appointment.

Insurance

All the properties and insurable interests of the Company including Buildings, Plant and Machineries and Stocks have been adequately insured.

Award

It gives us much pleasure to inform that, during the year under report, your Company has been awarded the highest recognition of "Top Exporter of FRP/GRP Products" for 2005-2006 by the Plastics Export Promotion Council under the Ministry of Commerce and Industry, Department of Commerce, Govt of India.

Acknowledgement and Appreciation

Your Directors take this opportunity to thank and place on record their sincere appreciation for consortium of banks i.e., the Punjab National Bank, Canara Bank, State Bank of India, Indian Bank and Allahabad Bank, the Shareholders, Customers, Business Associates and Regulatory & Government Authorities for their continued co-operation and support in furthering the interests of the Company. The Directors also wish to place on record their appreciation for the hard work, dedication and commitment of the employees and look forward to their continued support

On Behalf of the Board of Directors

Kalpesh Patel

Date: 17th August 2007 *Chairman & Managing Director*
 Reg. Off.: Vill. Asoj
 Vadodara-Halol Express Way
 Tal. Waghodia, Dist. Vadodara-391 510


ANNEXURE 'A' TO THE DIRECTORS' REPORT

Statement regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo for the year ended 31st March, 2007 as required under Section 217(1) (e) of the Companies Act, 1956 which forms part of the Directors' Report.

A. CONSERVATION OF ENERGY:
(a) Energy conservation measures taken:

Up-gradation of the lighting system, covering substantial part of the site, was done with TL-5 lights by replacing conventional lighting system. Also, vapor chillers have been installed in Resins Plant.

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

The Company is actively proposing to conduct energy audit for exploring the possibilities and avenues of reducing energy consumption.

(c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on cost of production of goods:

Due to up-gradation of lighting-system, energy saving was achieved considerably with better lighting. The proposed Energy Audit is also expected to suggest major areas of improvements, which will definitely bring about reduction of energy consumption resulting in lower cost of production.

(d) Total energy consumption and energy consumption per unit of production as per Form A of the Annexure in respect of industries specified in the Schedule thereto is as under:
FORM-A
(See Rule 2)

Form for Disclosure of Particulars with respect to Conservation of Energy

(A) Power and fuel consumption

Sr. No.	Particulars	Unit	Year ended	
			2006-07	2005-06
1.	(a) Electricity Purchased			
	Unit	KWH	42,69,604	17,06,485
	Total amount	Rupees	21,235,085/-	90,85,722/-
	Rate/Unit	Rs. / KWH	Rs. 4.97/-	Rs. 5.32/-
	(b) Own Generation			
	i) Through diesel generator			
	Unit	KWH	1,10,652	55,105
	Units per ltr. of diesel oil	KWH	3.25	3.31
	Cost / unit	Rs./KWH	Rs. 11.35/-	Rs. 10.49/-
	ii) Through steam turbine generator	N. A.	N. A.	N. A.
2.	Coal (specify quality and where used)	N. A.	N. A.	N. A.
	Quantity (tonnes)			
	Total cost			
	Average rate			
3.	Furnace oil	N. A.	N. A.	N. A.
	Quantity (k. ltrs.)			
	Total amount			
	Average rate			
4.	Others/internal generation (please give details)	N. A.	N. A.	N. A.
	Quantity			
	Total cost			
	Rate/unit			