



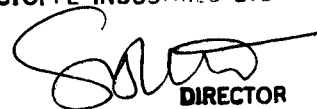
KUNSTSTOFFE INDUSTRIES LTD.

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19TH ANNUAL REPORT 2004

CERTIFIED TRUE COPY

FOR KUNSTSTOFFE INDUSTRIES LTD.


DIRECTOR

KUNSTSTOFFE INDUSTRIES LTD.

BOARD OF DIRECTORS

Mr. BHADRESH H. SHAH
Mr. A. K. AGGARWAL (Upto 31.01.2005)
Mr. SUDHIR V. SHETH
Mr. S. C. ASNOTKAR
Mr. PRAKASH R. TANDEL (w.e.f. 31.1.2005)

AUDITORS

P. M. TURAKHIA & COMPANY,
Chartered Accountants, Mumbai

SOLICITORS

KANTILAL UNDERKAT & CO. MUMBAI
DIVYAKANT MEHTA & ASSOCIATES, MUMBAI

REGISTERED OFFICE

C/o. P. Sheth & Co.
(Chartered Accountants)
17, Parekh Vora Chambers,
66, N. Master Road, Fort,
Mumbai - 400 023.

WORKS

Airport Road,
Kadaiya Village,
Nani Daman,
Daman, (U.T.)

REGISTRAR & TRANSFER AGENTS

SHAREX DYNAMIC (INDIA) PVT. LTD.
Unit - 1, Luthra Industrial Premises,
Safed Pool, Andheri Kurla Road,
Andheri (E), Mumbai-400 072.

ANNUAL REPORT 2004**NOTICE****NOTICE**

Notice is hereby given that the 19th ANNUAL GENERAL MEETING of the Shareholders of the Company will be held on Thursday, the 30th day of June, 2005, at 10.30 a.m. at Basant Court, Opp. Sion Railway Station, Sion (West), Mumbai - 400 022 to transact the following business :

ORDINARY BUSINESS

- (1) To receive, consider and adopt the Audited Balance Sheet as at 31st December, 2004 and Profit and Loss Account for the year ended on that date and Reports of the Directors and Auditors thereon.
- (2) To appoint a Director in place of Mr. S.C. Asnotkar, who retires by rotation, but being eligible, offers himself for re-election.
- (3) To appoint a Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

By order of the Board
For Kunststoffe Industries Limited
Bhadresh H. Shah
Chairman

Place : Daman
Date : 29th April, 2005.

Registered Office :

C/o. P. Sheth & Co.
(Chartered Accountants)
17, Parekh Voara Chambers,
66, N. Master Road, Fort,
Mumbai - 400 023.

KUNSTSTOFFE INDUSTRIES LTD.**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 A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE COMMENCEMENT OF THE MEETING.
2. Members who hold shares in dematerialised form are requested to bring their CLIENT ID AND DP ID numbers for easy identification of attendance at the meeting.
3. Members holding shares in dematerialised form are requested to intimate any change in their address, bank details etc. to their respective DPs and those holding shares in physical form are to intimate the above said changes to Company's Registrar & Transfer Agent.
4. Members who holds shares in physical form can nominate a person in respect of all the shares held by them singly or jointly. Members who hold shares in single name are advised, in their own interest to avail the nomination facility by filing Form 2B. Blank forms will be supplied by Company's Registrar & Transfer Agent on request. Members holding shares in the dematerialised form may contact their Depository Participant for recording nomination in respect of their shares.
5. The Share Transfer Books and the Register of Members of the Company will remain closed from 23/06/2005 to 30/06/2005 (both days inclusive).
6. The documents referred above to in any of the items of the Notice are available for inspection at the Registered Office of the Company on any working day during the business hours of the Company.
7. Members seeking any information with regard to accounts of the Company are requested to send their queries so as to reach the registered office at least 10 days before the meeting to enable the management to keep the information ready for clarification.
8. As a measure of economy, copies of the Annual Report shall not be distributed at the meeting and therefore, Members are requested to bring their copies of Annual Report to the Meeting.
9. The Equity Shares of the Company are listed at The Stock Exchange, Mumbai, Phiroze Jeebhoy Towers, Dalal Street, Mumbai - 400 001. The listing fee to the above exchange has been paid.

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10. AS REQUIRED IN TERMS OF PARAGRAPH VI(A) OF CLAUSE 49 OF THE LISTING AGREEMENT, THE DETAILS OF THE DIRECTORS RETIRING BY ROTATION AND ELIGIBLE FOR REAPPOINTMENT ARE FURNISHED BELOW:

- (i) **Name:** Shri S.C.Asnotkar Age: 75 years, **Qualification:** B.A., **Nature of expertise :** He is an Industrialist. **Name of the companies in which he also holds directorship:** None. **Name of the companies's committees in which he holds Memberships/chairmanship:** None.

It will be in the interest of the company that Mr. S.C. Asnotkar continues as Director of the Company.

By Order of the Board
For Kunststoffe Industries Limited

Sd/-
Bhadresh H. Shah
Chairman

Place : Daman

Date : 29th April, 2005

Registered Office:

C/o. P. Sheth & Co.

(Chartered Accountants)

17, Parekh Voara Chambers,

66, N. Master Road, Fort,

Mumbai - 400 023

KUNSTSTOFFE INDUSTRIES LTD.

DIRECTORS' REPORT

Dear Shareholders,

We are presenting the 19th Annual Report of the Company alongwith the audited statements of Accounts for the year ended 31st December, 2004. The summarised financial results are given below :

1. SUMMARISED FINANCIAL RESULTS:

	(Rs. In Lakhs)	
	2004	2003
Sales and other Receipts	169.92	227.06
Gross Profit / (Loss)		
before depreciation	(1468.22)	27.85
Less: Depreciation	42.16	33.35
Profit/ (Loss) before and		
after taxation	(1510.38)	(5.50)
Add: Balance carried from		
earlier year	(551.06)	(545.56)
Profit available for appro-		
priation	—	—
Balance carried		
forward to next year	(2476.39)	(551.06)

2. OPERATIONS :

During the year the sales turnover of the Company decreased compared to the sales of the previous year. However, due to lack of demand for the products of the company and heavy interest cost, the company had incurred a loss of Rs. 1510.38 lacs.

3. REFERENCE TO BIFR :

While approving the accounts for the year ending 31st December, 2004 the Board of Directors of the company have observed that the net worth (paid-up capital plus reserves) of the company stands at 1649.51 lacs and the accumulated loss up to date stands at Rs. 2476.39 lacs, which means that the entire net worth of the company has been eroded.

The Board of Directors of the Company have formed the opinion that the company has

become a Sick Industrial company within the meaning of the Sick Industrials Companies (Special provisions) Act, 1985 due to 100% erosion of Net worth of the company, as per the duly audited accounts of the company approved by the Board for the financial year ended 31st December, 2004 and that the board of directors are of the view that an immediate reference under section 15 to Board for Industrial and Financial Reconstruction, New Delhi, for making appropriate and suitable order to revive or rehabilitate the company to make its Net Worth Positive, is to be made.

4. DIVIDEND:

In order to conserve the resources of the company and owing to inadequate profits, your Directors do not recommend payment of any dividend.

5. MANAGEMENT DISCUSSION AND ANALYSIS:

Your Company is engaged in the business of manufacture of Spirally Bound HDPE/PP Pipes, Vessels, Tanks, etc. The manufacturing facilities of the Company are at Daman, U.T. The Spirally Bound profile wall pipes technology is patented and licensed by BAUKU of Germany. These Pipes ranging from 300 MM to 3000 MM diameter and are used in water, sewerage & effluent disposal schemes, ocean out fall etc. Your Company can also manufacture HDPE/PP Tanks of sizes ranging from 5000 liters to 70000 liters with varying wall thickness depending on load distribution and application.

The main objects of your Company to carry on the business of manufactures , dealers, importers, exporters, buyers & seller of all kinds plastic, PVC, polypropylene, polystyrene, polyethylene and polymers. As stated elsewhere, the immediate object of the

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Company is to set up facilities for the manufacture of large diameter non-pressure HDPE/PP tanks and vessels.

Your Company's products envisage import of the raw material - HDPE/PP. The Government's policy pertaining to imports and supply position in the international market will affect their availability. The changes in Government policy pertaining to customs/excise duties, imports etc., will have an impact on profitability. Further, the Company's product characteristics like its light weight, load bearing capacity etc., being the advantages offered by the manufacturing process adopted by the Company, will enable it to compete effectively.

The Company's main business is manufacturing and marketing of "Polymer Processing" and all other activities of the company revolve around this main business. As such there are no separate reportable segments within the Company as defined by AS17(Segment Reporting) issued by ICAI.

The Company maintains adequate internal control systems, which provide, among other things, reasonable assurance of recording the transaction of its operations in all material respects and of providing protection against significant misuse or loss of Company's assets.

The above statements on Management's Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be forward looking statements within the meaning of applicable security laws or regulations. These statements are based on certain assumptions and expectation of future events. Actual results could however differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and domestic demand-supply conditions, finished goods

prices, raw material costs & availability, change in Government regulations and tax structure, economic developments within India and the countries with which the Company has business contacts and other factors such as litigation and Industrial relations. Your Company assumes no responsibility in respect of forward looking statements, which may be amended or modified in future on the basis of subsequent developments, information or events.

6. FIXED DEPOSITS:

The Company has not accepted any deposits from the Public within the meaning of Section 58 A of the Companies Act, 1956 during the period under review.

7. ADDITIONAL INFORMATION

A. INFORMATION OF CONSERVATION ENERGY:

The particulars of additional requirement proposed by the Companies (Amendment) Act, 1988 and the Companies (disclosures of particulars of the report of the Board of Directors) Rules 1988 in respect of the conservation of Energy do not apply to the products of your Company.

B. INFORMATION OF TECHNOLOGY ABSORPTION:

The Company had initially entered into Technological Collaboration with BAUKU of Germany and the Company has deputed their engineers for training at the collaborator's plant. The engineers have been trained in process control, production, maintenance and other technology aspects. The Company has absorbed closely guarded technology enabling

KUNSTSTOFFE INDUSTRIES LTD.

in to produce wide range of plastic pipes which require much less raw material than any comparable product. This has enabled the Company to produce pipes and tanks for applications such as sewerage schemes, effluent disposal projects, storage tanks for chemicals etc.

8. INFORMATION OF FOREIGN EXCHANGE EARNED AND OUTGO:

During the year under review your Company has not spent on foreign travel and on import of raw material.

9. CORPORATE GOVERNANCE

Your Company has always the philosophy of conducting its business with due compliance of laws, rules, regulations and sound internal control systems and procedures. Pursuant to clause 49 of the Listing Agreement entered into with the Stock Exchanges, the Company has complied with all the provisions of Corporate Governance and a report on corporate governance is annexed hereto and forms part of this report. A certificate from the auditors of the company regarding compliance of conditions of corporate governance has been included in this Annual Report for your information. In future, the Company intends to implement the non-mandatory recommendations, as prescribed in Code of Corporate Governance.

10. DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. S. C. Asnotkar retires by rotation and being eligible offers himself for reappointment. Your Directors recommend that re-election of Mr. S.C. Asnotkar, as a Director will be in the interest of the Company.

Mr. A.K. Aggarwal resigned effective from 31.1.2005. The Board accepted the resignation and recorded its appreciation of services rendered by Mr. A.K. Aggarwal during his tenure.

The Board of Directors of its meeting held on 31.1.2005 appointed Mr. P. R. Tandel in the casual vacancy caused by the resignation of Mr. A. K. Aggarwal.

11. DIRECTORS' RESPONSIBILITY STATEMENT:

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

- That in the preparation of the accounts for the financial period ended 31st December, 2004, the applicable accounting standards have been followed along with proper explanation relating to material departures if any;
- That 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 at the end of the financial period and of the profit or loss of the Company for the period under review;
- That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

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- That the Directors have prepared the annual accounts for the financial period ended 31st December, 2004 on a 'going concern' basis.

12. DEPOSITORY SYSTEM:

Electronic trading of the Company's Equity Shares has been made compulsory by the Securities & Exchange Board of India (SEBI) from June, 2001. As on 31st December, 2004, about 39.62 % share holding representing 46,94,929 Equity Shares of the Company have been Dematerialised. Your Company has executed agreements with both NSDL and CDSL for demat of its shares.

13. ENVIRONMENTAL PROTECTION & INSURANCE:

The manufacturing process of the Company is environmental friendly in as much there is no effluent discharge.

Adequate Insurance cover has been taken for properties of the Company including Buildings, Plant & Machinery, Stocks and inventories.

14. AUDITORS:

The retiring Auditors, M/s P.M. Turakhia & Company, Chartered Accountants, Mumbai, are eligible for re-appointment and have indicated their willingness to act as such. In terms of Section 224A of the Companies Act, 1956, their appointment needs to be confirmed and their remuneration has to be fixed.

15. AUDITORS' REPORT:

The notes to the Accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further explanation under Section 217(3) of the Companies Act, 1956.

16. CONSTITUTION OF AUDIT COMMITTEE:

As required by the provisions of Section 292 A of the Companies Act, 1956, the Board of Directors has constituted an Audit Committee comprising of three Non-Executive Directors.

17. PARTICULARS OF EMPLOYEES:

None of the Company's employees were covered by the disclosure requirement pursuant to provisions of Section 217(2A) of the Companies Act, 1956 and rules framed thereunder.

18. REGULATORY STATEMENT:

In conformity with the provisions of clause 32 of the Listing Agreement the Cash Flow Statement for the year ended 31.12.2004 is annexed to the Accounts.

19. ACKNOWLEDGEMENT

Your Directors place on record their deep appreciation of the continued support received from shareholders, bankers and employees.

On behalf of the Board
Sd/-

BHADRESH H. SHAH
CHAIRMAN

Place: Daman
Date : 31st May, 2005
Registered Office:
C/o. P. Sheth & Co. (Chartered Accountants)
17, Parekh Vora Chambers,
66, Nagindas Master Road,
Fort, Mumbai - 400 023

KUNSTSTOFFE INDUSTRIES LTD.

REPORT ON CORPORATE GOVERNANCE

This report on Corporate Governance forms part of the Directors Report. This section besides being in compliance of the mandatory listing agreement requirement gives an insight into the process of functioning of the Company.

Company's Philosophy on Code of Corporate Governance

- To adopt internal and external measures to increase the level of transparency and accountability.
- To demonstrate to stakeholders that the Company is following right governance practices.
- To lead the Company towards high growth path of higher profits and revenue.
- To respect the laws of the land and rights of stakeholders and to get respect from all concerned.
- To uphold at all times fundamental values of accountability, probity and transparency in all areas of its operations and business practices.

Board of Directors

The Board of Directors comprises of four members, who are all Non-Executive Directors, who account for hundred percent of the Board's strength as against minimum requirements of fifty percent as per the listing agreement. The Board of Directors of the Company consists of eminent persons with considerable professional experience and expertise in respective fields. All the above non-executive directors are professionals & independent and at present, no promoter is on the Board.

The composition of Board of Directors is as follows :

Name of the Director	Designation	Category	Status
Mr. Bhadresh H. Shah	Chairman	Non-Executive	Independent
Mr. Sudhir V. Sheth	Director	Non-Executive	Independent
Mr. Prakash R. Tandel	Director	Non-Executive	Independent
Mr. S. C. Asnotkar	Director	Non-Executive	Independent
Mr. Anil K. Aggarwal	Director	Non-Executive	Independent
(upto 31.01.2005)			

During the year, four Board meeting were held and the requisite quorum was present at all Board meetings. There is no gap of four months between any two meetings. None of the Directors is a member in more than 10 committees or acts as a Chairman in more than five committees across all companies in which he is a Director.