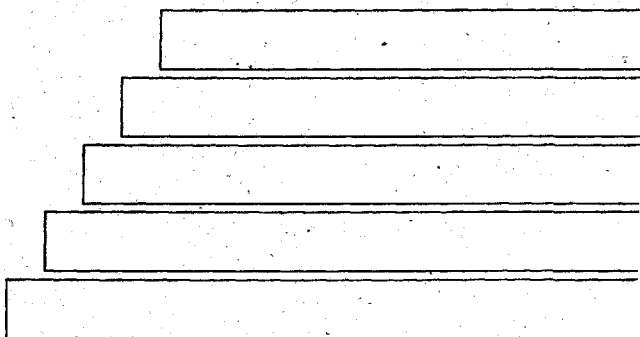

**MAHARASHTRA
POLYBUTENES
LIMITED**

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**16 TH
ANNUAL
REPORT
2004**



BOARD OF DIRECTORS

L. K. Guglani	<i>Managing Director</i>
S. P. Vohra	<i>Director</i>
P. S. Sharma	<i>Director</i>
V. B. Dalal	<i>Director</i>

B. M. Raul *Company Secretary & Financial Controller*

BANKERS

State Bank of Travancore

AUDITORS

Lodha & Company

REGISTERED OFFICE & WORK

R- 802, TTC Industrial Area
Thane Belapur Road
Navi Mumbai - 400 701.

REGISTRAR & TRANSFER AGENTS

Computronics Financial Services (I) Ltd.
1, Mittal Chambers,
Nariman Point,
Mumbai - 400 021.

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MAHARASHTRA POLYBUTENES LIMITED

NOTICE

NOTICE is hereby given that the Sixteenth Annual General Meeting of the members of Maharashtra Polybutenes Limited will be held on Thursday, June 30, 2005 at 12.00 p.m. at the Rotary Club of New Bombay, Rotary Centre, Next to Sacred Heart Convent School, Sector-6, Vashi, Navi Mumbai – 400 703 to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts for the year ended December 31, 2004 together with Directors' Report and the Auditors' Report thereon.
2. To appoint a Director in place of Dr. S. P. Vohra who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

By Order of the Board
For Maharashtra Polybutenes Ltd

B. M. RAUL
Company Secretary

Dated : April 29, 2005

Registered Office :

R-802, TTC Industrial Area

Thane Belapur Road

Navi Mumbai – 400 701

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 THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The proxy form duly completed and signed should be deposited at the Registered Office of the Company not later than 48 hours before the meeting.
3. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company between 10.30 a.m. and 12.30 p.m. on all working days except Saturday and holidays upto the date of the Annual General Meeting.
4. The Register of Members and Share Transfer Books of the company will remain closed from Monday, June 20, 2005 to Thursday, June 30, 2005(both days inclusive)
5. Members/ Proxies who attend the meeting are requested to bring the enclosed attendance slip duly filled and deliver the same at the entrance of the meeting hall.
6. Members are requested to bring their copies of Annual Report at the time of attending the Meeting.
7. Members who are holding Company's shares in dematerialised form are requested to bring details of their DP and client ID number for identification.

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REPORT OF THE DIRECTORS

The Directors present herewith the Sixteenth Annual Report together with the Audited Accounts of the Company for the year ended December 31, 2004.

1. FINANCIAL RESULTS

	(Rs. in lacs)	
	Year ended 31 st December, 2004	Year ended 31 st December, 2003
Conversion Charges	129.31	832.03
Other Income	248.90	41.12
	<u>378.21</u>	<u>873.15</u>
Profit/ (Loss) before depreciation	26.83	134.01
Profit/ (Loss) before prior period adjustments, exceptional items and taxation for the year	27.31	19.81
Prior period adjustments	—	(13.89)
Sales tax relating to earlier years settled / provided	(19.75)	—
Exceptional items	—	4144.49
Profit / (Loss) before taxation	(47.06)	4150.41
Profit / (Loss) after taxation	(47.06)	4150.41
Profit / (Loss) carried to the Balance Sheet	<u>(1952.97)</u>	<u>(1905.91)</u>

2. OPERATIONS:

The conversion contract with IPCL due for renewal in April, 04 was not renewed and the management is exploring other possibilities to restart the operations of the company. In the meantime the steps taken by the company to bring the plant in safe condition, evacuate hydrocarbons and completely minimized establishment expenses with only a token manpower to ensure security and statutory company work continues.

During the year the company had tried with various parties for similar type of toll conversion arrangement.

The management is currently in dialogue with some parties for joining in or take over of the operations of the company by bringing in the start-up expenses and the working capital to restart the operations. Extensive discussion were initiated and are underway with the interested parties for suitable scheme.

Lack of working capital does not enable the company to exercise the option of operating independently.

In the event of the alternative arrangement not working out, the company faces the threat of liquidation / closure of the company.

3. STATUS ON SANCTIONED SCHEME OF BIFR:

The Board for Industrial and Financial Reconstruction (BIFR) has vide its order dated May 11, 2004 sanctioned the Rehabilitation Scheme of the Company. The Company had paid installments of principal amount / interest to the financial institutions / Bank from cut-off date of December 31, 2002 till January 04 / February 04 respectively in anticipation of sanction of the Rehabilitation scheme by BIFR. However, the company was not able to adhere to the schedule of repayment of principal amount / interest payment since February 04 / March 04 as per the Rehabilitation scheme sanctioned by BIFR as the conversion contract was not renewed by IPCL in April 04.

While the Company is in dialogue with the interested parties a reschedulement Scheme has been submitted to the monitoring agency.

However, in the event of sanctioned scheme being declared as failed the amount of waivers / reliefs considered in the accounts may have to be reversed.

MAHARASHTRA POLYBUTENES LIMITED**4. ACCOUNTS:**

The accounts for the year have been prepared on the basis of "going concern" as the rehabilitation package for the Company's revival has been sanctioned by the BIFR and the Company is trying to tie-up for alternative arrangement.

The accumulated losses amounting to Rs. 1529.42 lacs were adjusted against the revaluation reserves following legal advice.

Depreciation on Plant and Machinery has been provided on actual capacity utilization basis since the deterioration in the span of actual life of Plant and Machinery would be lower to that extent.

The rest of the notes are self explanatory.

5. PARTICULARS OF EMPLOYEES:

The provision of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended are not applicable to the Company as none of the employees throughout the year or employed for part of the year has received remuneration equal to or exceeding the limits prescribed in the said section.

6. THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988:

Particulars under Section 217(1)(e) of the Companies Act, 1956 relating to the conservation of energy, technology absorption, foreign exchange earnings and outgo are annexed.

7. DIRECTORS:

Dr. S. P. Vohra, Director, retires by rotation and being eligible offers himself for re-appointment at the forthcoming Annual General Meeting.

8. FIXED DEPOSITS:

During the year under review, the Company has not accepted any deposits from the public pursuant to Section 58-A of the Companies Act, 1956.

9. THE CORPORATE GOVERNANCE CODE:

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, a compliance report on Corporate Governance is annexed as part of the Annual Report.

10. DEMATERIALIZATION OF SHARES:

In terms of the notification issued by the Securities and Exchange Board of India (SEBI) the Company has dematerialized its shares with both the depositories CDSL and NSDL.

11. STATUS ON DELISTING OF EQUITY SHARES ON AHMEDABAD STOCK EXCHANGE:

After approval of the members in the last Annual General Meeting an application was made to the Ahmedabad Stock Exchange (ASE) for delisting of the equity shares of the Company, in accordance with the Securities and Exchange Board of India (Delisting of Securities) Guidelines 2003. Necessary details as required by ASE from time to time have been furnished and ASE final reply is awaited.

12. DIRECTOR'S RESPONSIBILITY STATEMENT:

Pursuant to sub-section (2AA) of Section 217 of the Companies Act, 1956 the Board of Directors of the Company hereby state and confirm that :

- i) in the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.

- ii) The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit/loss of the Company for that period.
- iii) The Directors had 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:
- iv) The Directors had prepared the annual accounts on a going concern basis.

13. AUDITORS

The Auditors, M/s Lodha & Company, Chartered Accountants, Mumbai retire at the ensuing Annual General Meeting and are eligible for re-appointment. The members are requested to appoint Auditors for the current year and fix their remuneration.

14. ACKNOWLEDGEMENTS :

The Directors acknowledge with gratitude and place on record their appreciation of the support and co-operation received by the Company from Financial Institutions, banks and Promoters.

The Directors further acknowledge the support and co-operation from its Personnel, Contractors and Suppliers.

For and on behalf of the
Board of Directors

Report Junction

L. K. GUGLANI

S. P. VOHRA

Managing Director

Director

Place : Mumbai

Dated : April 29, 2005

Registered Office :

R-802, TTC Industrial Area, Thane Belapur Road

Navi Mumbai – 400 701

ANNEXURE TO THE DIRECTORS' REPORT

INFORMATION UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED DECEMBER 31, 2004.

A. CONSERVATION OF ENERGY.*

(a) Energy Conservation Measures taken :

i) waste streams were incinerated and the heat was recovered as fuel equivalent.

ii) Electricity consumption was brought down through planned production and judicious usage of equipments.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy : Not Envisaged.

(c) Impact of energy conservation measures :

Specific energy consumption of fuel oil per ton of steam generated and electricity consumption had come down due to measures adopted in A(a)(i) and (ii) above.

(d) Total energy consumption per unit of production : As per Form A.

* The plant is under shutdown since April – 2004.

MAHARASHTRA POLYBUTENES LIMITED

FORM A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

Power and Fuel Consumption	Current Year	Previous Year
1. Electricity		
a. Purchased Unit (KWH)	10,66,446	26,75,562
Total amount (Rs.)	47,01,657	1,05,84,130
Rate Per Unit (Rs./KWH)	4.41	3.95
b. Own generation :		
i) Through diesel		
Generator Unit (KWH)	558	2,726
Unit per litre of diesel oil	1.41	1.88
Cost per unit (Rs./KWH)	12.85	12.77
ii) Through Steam turbine		
Generator Unit (KWH)	N.A.	N.A.
Unit per litre of diesel oil	N.A.	N.A.
Cost per unit (Rs./KWH)	N.A.	N.A.
2. Coal (specify quality and where used)		
Quantity	N.A.	N.A.
Total Cost	N.A.	N.A.
Average rate	N.A.	N.A.
3. Furnace Oil / LSHS		
Quantity (MT)	180.57	738.92
Total Cost (Rs.)	22,13,998	95,22,475
Average rate (Rs. / MT)	12261.16	12887.02
4. Others/ Internal Generation	N.A.	N.A.
5. Production of Petrochemicals/ Chemicals (MT)	1260.405	5125.421
6. Electricity Consumed (Units/MT)	846	522
7. Fuel oil consumed (MT/MT)	0.115	0.144
B. TECHNOLOGY ABSORPTION		
I. Research and Development (R&D)		
1. Specific areas in which R&D carried out by the Company		N.A.
2. Benefit derived as a result of the above R & D		N.A.
3. Future plan of action		—
4. Expenditure on R & D		Nil
II. Technology absorption, adaptation and Innovation :		
1. Efforts, in brief, made towards technology absorption, adaptation and innovation :		
The technology had been absorbed and adapted to suit local conditions.		
2. Benefits derived as a result of the above efforts :		
The plant was independently operated by competent and qualified personnel and product had been approved by major users.		
3. Information in case of technology imported during the last 5 years reckoned from the beginning of the financial year : Not applicable.		
C. FOREIGN EXCHANGE EARNINGS AND OUTGO		NIL

MANAGEMENT DISCUSSION AND ANALYSIS**a. Industry Structure and Development :**

The main product of the company is Polyisobutene (PIB), an industrial chemical used in the manufacture of lubricating oil, jelly filled cables, insulations as well as in formulations of engine oils for two stroke engines of two wheelers. Other applications of PIB are in the manufacture of adhesives, caulking and sealing compounds, leather finishing, engineering plastics etc. There are four indigenous manufacturers for this product in India. Two of them including your company had tolling arrangement with IPCL. The tolling arrangement of your company with IPCL has come to an end on March 31, 2004. The demand of your Company's products has been stable during last year. The main consumers are Public Sector Oil Companies. Your Company had adjusted the production as per IPCL requirement up to the tolling arrangement period of 3 months from January to March 2004.

b. Opportunities and Threats :

Since November 1999, the company had been operating on toll conversion basis with IPCL. IPCL supplied C4 Raffinate for conversion into PIB at the companies plant at Navi Mumbai with marketing arrangement by IPCL itself. The toll conversion arrangement has come to an end on March 31, 2004. IPCL has not renewed the arrangement. The company has suspended the operations since then and minimized the establishment expenses by retaining only a core team and continues to explore the alternative arrangement to restart the operations.

The company enjoys good reputation with the Institutions and Industry. However, it needs to tie-up alternative arrangement in place of IPCL. Although discussion for alternate arrangement are in advance stage with interested parties, in the event of the alternative arrangement not working out, the company faces the threat of liquidation/ closure of company.

Lack of working capital does not enable the company to exercise the option of operating independently. However, in the joint meeting held with Financial Institutions (FIs) during June 2004, FIs had shown willingness to refer our case to Asset Reconstruction Company (India) Limited (ARCIL) for exploring necessary investment opportunities and working capital arrangement in the event of the alternative arrangement does not crystallize. In the event ARCIL also does not evince interest the lenders had indicated that they can takeover the assets under the SRFAESI Act.

A proposal for reschedulement of outstanding loan and arrears of interest was submitted to the monitoring agency, IDBI in August 2004. Approval for the same will depend on alternate tie-up for restarting the plant and acceptance of the proposal to all the secured lenders.

c. Segmentation or product-wise performance:

The company manufactures single product PIB. Due to IPCL non-renewal of contract, the production had suffered during April to December, 04, plant is operated only for 3 months from January to March-04. For operating period the capacity utilization was at 63% on annualized basis during the year.

d. Outlook, risks and concern :

The international market and realization for PIB has been buoyant during the year. The demand in the country has been steady and the outlook for realisation and demand in the coming years is bright, however the opportunity for your Company to take advantage is entirely dependent on the outcome of the current discussion with the interested parties.

e. Internal control systems and their adequacy:

There is adequate internal control system in the company through Internal Audit and regular operations review.

f. Financial performance with respect to operational performance:

During the year the Company was actually operating only for a period of three months from January to March 04. The production continued to be suspended for remaining part of the year due to no business. Hence, the financial performance during the year is not as expected.

g. Development in Human Resource / Industrial Relations front :

Considering that the Company has been passing through difficult times and was under BIFR purview the human capital of the Company has been motivated and committed to bring good operating performance. The industrial relations were cordial and the company now has only few persons to maintain security and statutory compliance.

MAHARASHTRA POLYBUTENES LIMITED

CORPORATE GOVERNANCE REPORT

The detailed report on Corporate Governance as per the format prescribed by SEBI and incorporated in Clause 49 of the Listing Agreement is listed below:

A. **MANDATORY REQUIREMENTS**

1. **COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:**

The Company's Philosophy on Corporate Governance envisages the attainment of the high level of transparency and accountability in the functioning of the Company and the conduct of its business internally and externally, including its inter-action with employees, shareholders, creditors, consumers and institutional and other lenders and places due emphasis on regulatory compliance.

2. **BOARD OF DIRECTORS:**

COMPOSITION AND CATEGORY

The present strength of the Board of Directors is four whose composition is given below :

Composition and Status of Directors

Name of Director	Status (Executive, Non-Executive and Independent)
Dr. S. P. Vohra	Independent , Non Executive
Shri L. K. Guglani	Non – Promoter, Executive
Shri P. S. Sharma	Independent , Non Executive
Shri V. B. Dalal	Independent , Non Executive

The composition of the Board of Directors and also the number of other Board of Directors or Board Committees of which he is a Member / Chairman are as under:

Name of Director	Category	No. of other Public Directorship(*)	No. of membership of other Board Committees	No. of other Board Committees for which Chairman
Dr. S. P. Vohra	Independent	2	1	--
Shri L. K. Guglani	Executive	1	1	--
-Managing Director				
Shri P. S. Sharma	Independent	3	3	--
Shri V. B. Dalal	Independent	1	2	--

(*) excludes Directorships in Indian Private Limited Companies, membership of Managing Committees of various Chambers/ bodies

ATTENDANCE OF EACH DIRECTOR AT THE BOARD MEETINGS AND THE LAST ANNUAL GENERAL MEETING

During the year ended December 31, 2004 five Board Meetings were held on January 29, April 29, July 5, July 30 and October 26, 2004 and the gap between two meetings did not exceed four months. The attendance of each Director at

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Board Meetings and the last Annual General Meeting (AGM) is as under :

Name of the Director	No. of Board Meetings attended	Attendance at last AGM held on 25-8-2004
Shri L. K. Guglani	5	Present
Dr. S. P. Vohra	5	Present
Shri P. S. Sharma	5	Present
Shri V. B. Dalal	4	Present

All significant information had been placed before the Board.

3. AUDIT COMMITTEE:

BROAD TERMS OF REFERENCE

The terms of reference of the Audit Committee includes :

- To review the Company's financial reporting process and its financial statements.
- To review the accounting and financial policies and practices.
- To review the efficiency of the internal control mechanism and monitor risk management policies adopted by the Company and ensure compliance with regulatory guidelines.
- To review reports furnished by the internal and statutory auditors, and ensure that suitable follow-up action is taken.
- To examine accountancy, taxation and disclosure aspects of all significant transactions.

The terms of reference of this Committee are wide enough covering the matters specified under the Listing Agreement.

COMPOSITION

The Audit Committee of the Company was constituted by the Board with effect from February 27, 2001. The same was reconstituted on October 31, 2003. The Audit Committee comprises three Directors, who all are Independent, Non-Executive Directors. The Chairman of the Committee is an independent, Non-Executive Director nominated by the Board. The Managing Director of the Company is a permanent invitee at the meetings of the Committee.

The constitution of the Audit Committee is as follows :

1. Shri V. B. Dalal - Chairman
2. Dr. S. P. Vohra -
3. Shri P. S. Sharma

The Chairman of the Audit Committee was present at the last Annual General Meeting to answer shareholders' queries.

MEETINGS AND ATTENDANCE

During the year ended December 31, 2004, four Audit Committee Meetings were held on January 29, April 29, July 5, and October 26, 2004. The attendance at the Committee Meetings are as under :

Name of the Director	No. of Meetings attended
Shri V.B. Dalal	3
Dr. S.P. Vohra	4
Shri P. S. Sharma	4