



ANNUAL REPORT 2003-2004

PASUPATI ACRYLON LIMITED

BOARD OF DIRECTORS

Chairman

Shri Anil Swarup
(PICUP Nominee)

Managing Director

Shri Vineet Jain

Directors

Shri Ramesh Kumar Jain

Shri M.M.Kohli

Shri Ravinder Kapur

Shri Anil Sharma (PICUP Nominee)

Shri Sanjay Behari (IFCI Nominee)

Shri S.C.Malik (Director Finance)

Company Secretary

Shri Rakesh Mundra

Auditors

M/s. B.K. Shroff & Co.
New Delhi

Bankers

Allahabad Bank

State Bank of Patiala

UCO Bank

Bank of Maharashtra

State Bank of Travancore

Bank of Baroda

Canara Bank

Punjab National Bank

Regd. Office & Works

Thakurdwara

Kashipur Road

Distt. Moradabad (U.P.)- 244 601

Ph: 0591-2241352-55, 2241263

05947-275506, Fax: 0591-2241262

Email: pasupati@mickyonline.com

Corporate Office

M-14, Connaught Circus

(Middle Circle)

New Delhi-110 001

Ph: 011-23415125, 23416682, 51517661

Fax: 011-23411684

Email: delhi@pasupatiacrylon.com

pal@giasdl01.vsnl.net.in

Registrar & Share Transfer Agents

MCS Limited

Sri Venkatesh Bhavan

W-40, Okhla Industrial Area

Phase-II, New Delhi-110 020

Ph: 011-26384909/10

Fax: 011-26384907 Email: mcsdel@vsnl.com



NOTICE

Notice is hereby given that the 21st Annual General Meeting of the members of Pasupati Acrylon Ltd., will be held on Monday, the 27th day of September, 2004 at the plant premises of Pasupati Acrylon Ltd., Village Thakurdwara, Kashipur Road, Distt. Moradabad (U.P.) at 10.30 A.M. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts for the year ended March 31, 2004, Auditors' Report thereon and the Director's Report.
2. To resolve not to fill up the vacancy of a Director resulting from retirement of Shri Ramesh Jain, by rotation.
3. To appoint a Director in place of Shri M. M. Kohli who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

To consider and if thought fit, to pass with or without modification(s), the following resolutions:

As Ordinary Resolution:

5. "RESOLVED that pursuant to section 198, 269, 309 and 311 read with schedule XIII to the Companies Act, 1956 and subject to the approval of The Central Government, Financial Institutions/Banks and such other approvals, permissions, if any, as may be necessary and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification or re-enactment thereof, the re-appointment of Shri Vineet Jain as the Managing Director of the Company for a period of five years w.e.f 1st October, 2004 be and is hereby approved on the terms of remuneration as set out in the Explanatory Statement annexed hereto which shall be deemed to form part hereof and in the event of inadequacy or absence of profit under section 349 and 350 of the said Act in any financial year, the remuneration comprising salary, perquisites and benefits as approved herein be paid as minimum remuneration to the said Managing Director for a period of five years,

RESOLVED FURTHER that the Board of Directors of the company or a Remuneration Committee thereof be and is hereby authorised to vary and/or revise the remuneration of said Managing Director within the overall limits approved herein and settle any question or difficulty in connection therewith and incidental thereto"

6. "RESOLVED that pursuant to section 198, 269, 309 and 311 read with schedule XIII to the Companies Act, 1956 and subject to the approval of The Central Government, Financial Institutions/Banks and such other approvals, permissions, if any, as may be necessary and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification or re-enactment thereof, the re-appointment of Shri S.C.Malik as the Whole-time Director (Finance) of the Company for a period of five years w.e.f 1st October, 2004 be and is hereby approved on the terms of remuneration as set out in the Explanatory Statement annexed hereto which shall be deemed to form part hereof and in the event of inadequacy or absence of profit under section 349 and 350 of the said Act in any financial year, the remuneration comprising salary, perquisites and benefits as approved herein be paid as minimum remuneration to the said Whole-time Director (Finance) for a period of five years.

RESOLVED FURTHER that the Board of Directors of the company or a Remuneration Committee thereof be and is hereby authorised to vary and/or revise the remuneration of said Whole-time Director (Finance) within the overall limits approved herein and settle any question or difficulty in connection therewith and incidental thereto".

By order of the Board
PASUPATI ACRYLON LIMITED

(Rakesh Mundra)
Company Secretary

Place : New Delhi
Dated : July 31, 2004

Registered Office
Thakurdwara
Kashipur Road
Distt. Moradabad
Uttar Pradesh

NOTES:-

- 1 (a) A member entitled to attend and vote, is entitled to appoint a proxy to attend and vote on his behalf and such a proxy need not be a member.
- (b) Proxies in order to be effective must be received at the Registered office of the Company, not less than 48 hours before the Annual General Meeting.
- (c) Members/proxies should bring the Attendance Slip duly filled in for attending the meeting.
2. Information relating to item No. 3, 5 & 6 as required under clause 49 of the Listing Agreement with the Stock Exchanges and explanatory statement relating to item No(s). 2, 5 & 6 pursuant to section 173(2) of the Companies Act, 1956 is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from 16th September, 2004 to 27th September, 2004 (both days inclusive)
4. Members who hold shares in de-materialised form are requested to bring their client ID and DP ID numbers for facilitating identification for attendance at the meeting.
5. Members who are holding shares in identical names under more than one Folio are requested to write to the Company to consolidate their shareholdings under one Folio. The members are also requested to notify to the Company any change in their address.
6. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company on all working days between 11.00 a.m. and 1.00 p.m.
7. The members can contact/write to the Company at its Corporate Office at M-14, Connaught Circus (Middle Circle), New Delhi-110001 in addition to its Registered Office.
8. Members needing any information are requested to write to the company at its above said Corporate Office at least 7 days in advance of the Annual General Meeting, so as to enable the management to keep the information ready at the meeting.
9. Member(s) are advised to avail of nomination facilities pursuant to Section 109A of the Companies (Amendment) Act, 1999. They may nominate a person in the prescribed manner i.e. by sending Form 2B (enclosed with the Annual Report), under Rule 4CCC and 5D duly filled and signed by the Member(s) to whom his/her shares shall vest in the event of his/her death. They may send the nomination form to the Company at its Corporate Office directly.



ANNEXURE TO THE NOTICE

Brief resume and other information, in respect of the Director(s) seeking re-appointments at the Annual General Meeting, as required under Clause 49(vi) of the Listing Agreement with the Stock Exchanges are given hereunder:

ITEM NO.3

Re-appointment of Shri M.M.Kohli

Shri Kohli, is a retired IAS officer of 1952 batch, aged about 74 years. He had been the ex-secretary to Ministry of Energy, Government of India. Shri Kohli was appointed as Director of your Company in 1989. He has also held various senior positions in the State as well as at the Central Government and has varied experience in specialist functions and general management.

Presently he is Director/Committee Member of the following Public Limited Companies:

Sl.No.	Name of the Company	Position	Membership of Board Committees
1.	Pasupati Acrylon Ltd.	Director	Audit Committee & Remuneration Committee
2.	Shivani Textile Mills Ltd.	Director	—

ITEM NO.5

Re-appointment of Shri Vineet Jain as Managing Director

Shri Vineet Jain, B.B.A. (London), aged 35 years, has been in the service of your company since 1990. He was then elevated as Joint Managing Director in the year 1994 and Managing Director in the year 1997.

Presently he is Director/Committee Member of the following Public Limited Companies:

Sl.No.	Name of the Company	Position	Membership of Board Committees
1.	Pasupati Acrylon Ltd.	Managing Director	Share Transfer-cum-Shareholders Grievance Committee
2.	Vigar Enterprises Ltd.	Director	—
3.	Cotsyn Worldwide Ltd.	Director	—

ITEM NO.6

Re-appointment of Shri S.C.Malik as Whole-time Director (Finance)

Shri S.C.Malik is a Fellow Member of the Institute of Chartered Accountants of India, aged 54 years, has been in the service of your company since 1990 and had held senior positions in Finance and Accounts Departments of your company, before he was appointed as Whole-time Director (Finance) in the year 1994.

Except, member in Share Transfer-cum-Shareholders Grievance Committee of Pasupati Acrylon Limited, Shri Malik does not occupy the position of Directorship/Committee Membership in any other Public Limited Company.

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO.2

Shri Ramesh Jain, Director, is retiring by rotation pursuant to Section 256 of the Companies Act, 1956. He has expressed his desire not to seek re-election. This would result in a vacancy on the Board.

The Board of Directors does not propose to fill up the vacancy being caused by retirement of Shri Ramesh Jain at this meeting or at any adjournment thereof.

None of the Directors of the Company is interested or concerned in the proposed resolution.

ITEM NO.5 & 6

The Board of Directors of the Company at its meeting held on 31st July, 2004 has re-appointed Shri Vineet Jain as Managing Director and Shri S.C.Malik as Whole-time Director (Finance), both for a period of five years w.e.f. 1st October, 2004 on the terms of remuneration approved by the Remuneration Committee as per details hereunder subject to approval of the shareholders and the Central Government.

The broad particulars of remuneration payable to and terms of the respective re-appointments of Shri Vineet Jain and Shri S.C.Malik for a period of five years w.e.f. 1st October, 2004 are as under:-

- A. Salary
 - (i) Shri Vineet Jain : Salary Rs. 85,000 per month
 - (ii) Shri S.C.Malik : Salary Rs. 45,000 per month
- B. Perquisites and other benefits: Free furnished residential accommodation or house rent allowance in lieu thereof together with furnishings, with gas, electricity, water and other amenities, car with driver, reimbursement of medical expenses incurred in India or abroad including hospitalisation and surgical charges, for self and family and travel relating thereto; and other perquisites, benefits and allowances including re-imbursement of expenses on servants, telephone at residence, leave travel including foreign travel, fees of clubs, personal accident insurance etc. The perquisites shall be evaluated as per the actual cost or Income tax Rules, as applicable. The perquisites and allowance in case of Shri Vineet Jain shall not exceed Rs.7.30 lacs per annum and in case of Shri S.C.Malik shall not exceed Rs.3.50 lacs per annum.
- C. In addition to the salary, perquisites and allowances as above, Mr.Vineet Jain, the Managing Director shall also be entitled to receive commission, with effect from financial year commencing 1st April, 2004 provided that the overall remuneration payable by way of salary, perquisites, allowances and commission to the Managing Director shall not exceed in the aggregate, 3% of the net profits of the company, computed under Section 349 of the Companies Act, 1956 or Rupees Twenty Five lacs per annum, whichever is lower.
- D. Contribution to Provident Fund and Superannuation Fund or annuity fund to the extent these either singly or put together are not taxable under the Income tax Act, 1961.
- E. Gratuity at the rate of 15 days salary for each completed year of service.
- F. Encashment of unavailed leave at the end of the tenure, as per rules of the company.

The items referred to in 'D', 'E' and 'F' shall not be included in the computation of limits of perquisites as mentioned in 'B' above.

In the event of inadequacy or absence of profits under Section 349 and 350 of the Companies Act, 1956, in any year or years, Shri Vineet Jain, Managing Director and Shri S.C.Malik, Whole-time Director (Finance) shall be entitled to minimum remuneration comprising salary, perquisites and benefits as detailed above for a period of five years in the aggregate subject to necessary approvals.

The respective arrangement may be terminated by either party (company or the concerned Whole-time Director) by giving the other three month's prior notice of termination in writing.

If at any time Whole-time Director (Finance) ceases to be a Director of the Company for any cause whatsoever, he shall cease to be Whole-time Director (Finance) of the company.

If at any time Whole-time Director (Finance) ceases to be in employment of the company for any cause whatsoever, he shall cease to be a Director of the company.

Whole-time Director (Finance) is liable to retire by rotation.

Application has been made to the Financial Institutions/Banks for "No Objection Certificate" about proposed re-appointments.

Your Directors recommend the resolutions set out at Item Nos. 5 & 6 of the Notice for approval of the shareholders.

The above may also be treated as an abstract of the terms of contract/agreements between company and Shri Vineet Jain and Shri S.C.Malik respectively pursuant to Section 302 of the Companies Act, 1956.

Shri Vineet Jain and Shri S.C.Malik are interested in the resolutions which pertain to their re-appointment and/or remuneration payable to each of them.

Save and except the above, none of the other Directors of the Company is, in any way, concerned or interested in the resolution(s).

By order of the Board
PASUPATI ACRYLON LIMITED

(Rakesh Mundra)
Company Secretary

Place : New Delhi
Dated : July 31, 2004

Registered Office
Thakurdwara
Kashipur Road
Distt. Moradabad
Uttar Pradesh



DIRECTORS' REPORT

To the Members

Your Directors present their Report together with the Audited Accounts for the year ended 31st March, 2004.

Financial Results

	(Rs./Crores)	
	2003-2004	2002-2003
Sales (Gross) & Other Income	242.83	207.20
Profit before Interest & Depreciation	19.44	10.58
Financial Charges	17.89	18.85
Depreciation	10.48	12.15
Profit/(Loss) before Taxes	(8.93)	(20.42)
Payment/Provision for Taxes	0.01	0.01
Profit/(Loss) after Taxes	(8.94)	(20.43)
Extra-ordinary Income	2.09	3.63
Intangible assets amortized	(10.21)	—
Add: Profit & Loss Account surplus/(Loss) brought forward	(16.80)	—
Profit/(loss) carried to Balance Sheet	(33.86)	(16.80)

In the absence of divisible surplus, your Directors are unable to recommend any dividend for the year.

OPERATIONS

During the year under review, your company produced 26619 MT of Acrylic Fibre (ASF) as against 24312 MT during the previous financial year, utilising 118% capacity of the plant, which is 9.5% higher than previous financial year. During the year your company sold 27153 MT Acrylic Fibre (ASF) as against 22999 MT during the last financial year, consequently the turnover risen to Rs.237 Crores as compare to Rs. 205 Crores in the previous year, which is 16% higher than the previous financial year. The Company's emphasis on export yielded good result, the export sales during the year were Rs.30.15 Crores, as compared to Rs.7.20 Crores in the previous financial year. The Company has achieved a Gross Profit of Rs.1.54 Crores, as compared to Gross Loss of Rs.8.27 Crores in the previous financial year.

CURRENT YEAR'S OUTLOOK

Acrylic Fibre's demand has firmed up nationally as well as internationally during the last few months, but the performance so far has not been encouraging due to disproportionate rise in A C N (main raw material) prices. The company's plant, however, continue to operate at optimum efficiency level.

The Company has filed Financial Restructure proposal with the lenders and the same is being considered by them. It is expected that on restructuring of loans, the finance cost would go down, which would help company in long run.

ISO CERTIFICATION

Your Directors are pleased to inform you that your company has secured ISO 9001 Bureau of Indian Standard accreditation by Rooid Voor Accreditatie, Netherland. This certification indicates our commitments in meeting global quality and standards.

REFERENCE TO BOARD FOR INDUSTRIAL & FINANCIAL RECONSTRUCTIONS (BIFR)

As reported last year, your company's net worth was eroded and company became sick within the meaning of Section 3(1)(o) of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). In accordance with Section 15 of SICA, your company filed a reference with BIFR, same stands registered as case No.364/2003.

FIXED DEPOSITS

The outstanding public deposits at the end of the year under review amounted to Rs.196 lacs. There was no default in repayment of deposits or interest thereon on the due dates and there was no overdue/unclaimed deposit at the end of the year.

However, your company has applied to the Central Government, seeking an extension of time for re-payment of certain Fixed Deposits, in accordance with Section 58A(8) of the Companies Act, 1956.

DIRECTORS

Shri Ramesh Jain, Director retires by rotation at the forthcoming Annual General Meeting of the company. He has however, expressed his desire, not to seek re-election at the forthcoming Annual General Meeting. This would result a vacancy on the Board. The Board has proposed not to fill the vacancy resulting from the retirement of Shri Ramesh Jain.

Shri M. M. Kohli, Director retires by rotation at the forthcoming Annual General Meeting and being eligible, offer himself for re-appointment.

There have been following changes in the Nominee Directorship/Directorships since the previous Director's Report, viz.

- The Pradeshia Industrial & Investment Corporation of UP Ltd. (PICUP) has nominated Shri Anil Swarup, Managing Director of PICUP in place of Shri Pravir Kumar, who was appointed in place of Shri Sanjiv Nair. Shri Swarup was also appointed as Chairman of the Board.
- IFCI has nominated Shri Sanjay Behari on the Board of the Company in place of Shri R.G.Nirmal.
- Shri Vijay Kumar Jain has resigned from the Board during the year under review.

Your Directors welcomes the appointment of Shri Anil Swarup and Shri Sanjay Behari and trust the company will benefit immensely from their valuable experiences, advices and guidance.

DIRECTORS' REPORT (Contd.)

Your Directors also place on record their appreciation for the valuable services rendered by Shri Pravir Kumar, Shri Sanjiv Nair, Shri Vijay Kumar Jain, Shri R.G.Nirmal and Shri Ramesh Jain during their tenure.

DIRECTORS' RESPONSIBILITY STATEMENT PURSUANT TO SECTION 217 (2AA) OF THE COMPANIES ACT, 1956.

Your Directors hereby confirm that:-

- i) in the preparation of the annual accounts, the applicable accounting standards had been followed alongwith proper explanation relating to material departures;
- ii) the directors had selected such accounting policies and applied them consistently and made judgements 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 or 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 this Act 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.

HUMAN RESOURCES/INDUSTRIAL RELATIONS

The Company valued, human resources as its most valuable assets, among all other assets of the company. It has been the policy of the company to actuate the talent by providing opportunities to develop themselves within the organisation. The company continued to have a very cordial and harmonious relations with its employees.

INTERNAL CONTROL SYSTEM AND ADEQUACY

Your company has been maintaining a well established procedure for internal control system. For the purpose of financial control, company is adequately staffed with experienced and qualified personnel at all levels and plays an important role in implementing and monitoring the statutory and internal policy control environment. There has been a review conducted on regular interval by the internal auditors about the financial and operating control at various locations of the company and any significant findings are reviewed by the Audit Committee of the Board of Directors.

EMPLOYEES

There were no employee drawing remuneration in excess of ceiling(s) prescribed under Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended w.e.f. 17th April, 2002 and further clarification dated 25th June, 2002.

STATEMENT PURSUANT TO LISTING AGREEMENT(S)

The Company's securities are listed at Delhi, Mumbai, Madras, Calcutta & Kanpur Stock Exchanges.

In view of negligible trading volumes on Stock Exchanges at Kanpur, Delhi, Madras and Kolkata, the benefit accruing to the investors by keeping the shares of the company listed on these Stock Exchanges are not commensurate with the costs incurred by the company for continued listing in these Stock Exchanges.

Taking into consideration the above fact, shareholders had passed a resolution in the last Annual General Meeting to delist the company's equity shares from Delhi, Kanpur, Kolkata and Madras Stock Exchanges and your company is in the process to delist the company's equity shares from the aforesaid Stock Exchanges. However your company's equity shares would continue to be listed in "The Stock Exchange, Mumbai" (BSE).

CORPORATE GOVERNANCE

The company has complied with the Corporate Governance code as stipulated under the listing agreement executed with the Stock Exchanges. A separate section on Corporate Governance, alongwith a certificate from the auditors of the company confirming the compliance is annexed and forms part of this Report.

COST AUDIT

The reports of Mr.Satnam Singh Saggi, Cost Accountants, in respect of the Cost Accounts of the company for the year ended 31st March, 2004 will be submitted to the Central Government in due course.

AUDITORS AND THEIR REPORT

M/s.B.K.Shroff & Co., Chartered Accountants, New Delhi retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment. The Company has received certificates from them under Section 224(1-B) & 226 (3) of the Companies Act, 1956.

The observation made by the Auditors in their report regarding set-off accumulated losses against revaluation reserve, the same has been done, based on legal opinion taken by the company. The note no. 16 given in schedule 'R' of annual accounts is self explanatory in this regard. The guidance note as referred by the Auditors in their Audit Report, is only recommendatory and not mandatory in nature.

Auditors have reported that the Company has not made provision of interest on debentures privately placed with IDBI of Rs. 276.94 lacs for the year. The provision has not been made since the Company is in negotiation for reduction/waiver of the same with the concerned Institutions.

Auditors have reported that since the Company has not redeemed debentures placed with IDBI and IFCI, the Directors (Except nominee directors) attracts disqualification U/s 274 (1)(g) of the Companies Act. The Company is in negotiation with Institutions for restructuring of terms of repayment, which would resolve the same.



DIRECTORS' REPORT (Contd.)

Auditors have reported that company's accounts have been prepared on 'going concern' basis, inspite of reference made to BIFR. The company is operating at optimum level and restructuring of various loans is underway, hence the accounts have been prepared on 'going concern' basis.

ENERGY, TECHNOLOGY & FOREIGN EXCHANGE

A statement giving details of conservation of energy, technology absorption and foreign exchange earning and outgo in terms of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed hereto and form part of this Report.

ACKNOWLEDGEMENT

Your Directors wish to place on record their deep appreciation of the continued support and co-operation received from Financial Institutions, Banks and Shareholders, the State and Central Government, PICUP and Company's Collaborators.

Your Directors also wish to place on record their appreciation of the devoted services of the Company's employees, which have in great way contributed to the Company's progress.

for and on behalf of the Board

Place : New Delhi
Dated : July 31, 2004

S.C. Malik
Director (Finance)

Vineet Jain
Managing Director

(Additional Information in terms of Notification No.1029 of 16.12.1988 issued by the Department of Company Affairs)

[A] CONSERVATION OF ENERGY

(a) Energy conservation measures taken during the period under report are as under:

- i. Energy efficient Deaerator was installed to save steam consumption.
- ii. Flash steam of CBD tank was connected to Deaerator to save steam.
- iii. Heat exchangers at various places were installed to use heat of one fluid to increase temperature of other fluid and in turn save steam.
- iv. 11 Nos. variable frequency drives were installed at various places to save electrical power.
- v. 1 No. energy saver was installed in lighting circuit on OSBL to save electrical power.
- vi. 200 KVA capacitors were installed to improve power factor and reduce line losses.
- vii. Panelling type water wall tubes were installed in boiler No.2 to increase efficiency and capacity of Boiler.
- viii. 4 Nos. big size motors were replaced with small size motors to save power.
- ix. All 3 Nos. Forklifts were converted into electronic system to save power.
- x. 6 Nos. of motor were connected from Delta to Star connections to save power.
- xi. 2 Nos. of Cellulose pads were introduced in AHU thereby saving electrical energy.
- xii. Comfort cooling systems was optimized thereby stopping one number blower & spray pump.
- xiii. Efficiency improvement of 8 Nos. of Poly area pumps to save electrical energy.
- xiv. Feed Water pump was converted to high efficiency & high capacity pump.
- xv. Optimization of systems frequency & Voltage was carried out.
- xvi. Changing over to energy efficient luminaries from conventional one continued.

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

- i. Installation of Thermo Economiser to use energy going waste through pressure reducing station.
- ii. Installation of 1 No. jet type fan free cooling tower to save electrical power.
- iii. Installation of panelling type water wall tubes for one of the Boiler to increase efficiency and capacity of Boiler. Thus saving of coal and power.
- iv. 4 Nos. more variable frequency drives to be installed on Dryer ventilator fans to save power.
- v. Stretching machine vapour extraction fan shall be connected with variable frequency drive to save power.
- (c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production goods.
 - (a) Power Saving about 6 KWH/day
 - (b) Steam Saving 6.0 Tons/day
 - (c) Coal Saving 1.5 Tons/day

So net saving Rs.24,000/day

Impact on cost of production

 - The overall impact on cost of production on account of energy saving measures is Rs.0.32 per kg.
 - The Total saving on account of energy saving measures and process optimization is to the tune of 10%.
- (d) The total energy consumption and energy consumption per unit of production as per Form-A is annexed herewith.

[B] TECHNOLOGY ABSORPTION

Efforts made towards technology absorption are given as per Form-B is annexed herewith.

[C] FOREIGN EXCHANGE EARNINGS & OUTGO

(a) Activities relating to exports, initiatives taken to increase exports, development of new export market for products and services and export plan:

There have been concentrated efforts to improve Export performance inspite of depressed market conditions in textile sector prevailed the world-over. However, your company has exported fibre at FOB value of Rs.3014.78 lacs during the year (previous year Rs.720.50 lacs), hence achieved marked improvement in export and would continue to strive for the same.

**DIRECTORS' REPORT (Contd.)****(b) Total Foreign Exchange Used & Earned**

Foreign Exchange Used :

	2003-04	2002-2003
(Rs./lacs)		
i) Travelling	30.72	22.82
ii) Interest & other charges	56.32	55.68
iii) Commission on export sales	34.10	5.28
iv) Repair & Maintenance (plant & machinery)	—	11.65
v) CIF Value of Imports		
- Raw Material	10321.65	9105.82
- Stores and spares	94.06	52.64
- Capital Goods	—	—
Foreign Exchange Earned :		
- FOB Value of Exports	3014.78	720.50

FORM - A
(See Rule-2)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY**(A) POWER AND FUEL CONSUMPTION**

		Year Ending March 31, 2004	Year Ending March 31, 2003
1. ELECTRICITY			
(a) Purchased			
Units (in lacs)	KWH	NIL	NIL
Total Amount	Rs./Lacs	NIL	NIL
Rate per Unit	Rs./KWH	NIL	NIL
(b) Own generation			
(i) Through Diesel generator units (in lacs)	KWH	6.68	9.21
Unit per Ltr. of Diesel Oil	KWH/Litre	3.09	3.02
Cost/Unit	Rs./KWH	5.79	5.43
(ii) Through turbines			
Units (in lacs)	KWH	357.99	399.07
Total Cost	Rs./Lacs	949.52	1090.32
Cost/Unit	Rs./KWH	2.65	2.73
2. COAL			
Quality of Coal and where used	'B', 'C' & 'D' grade Coal used in Boiler for generation of steam		
Quantity - units	MT	66113	72953
Total Cost	Rs./Lacs	1836.53	1936.62
Average rate	Rs./MT	2777.87	2654.61
3. FURNACE OIL			
Quantity - units	MT	NIL	NIL
Total Cost	Rs./Lacs	NIL	NIL
Average rate	Rs./MT	NIL	NIL
4. HUSK			
Quantity - units	MT	3893.00	1868.81
Total Cost	Rs./Lacs	43.91	19.20
Average Rate	Rs./MT	1127.92	1027.00
5. OTHERS/INTERNAL GENERATION			
Pith			
Quantity - Units	MT	6821.75	6625.02
Total Cost	Rs./Lacs	39.70	33.17
Rate/Unit	Rs./MT	581.96	500.68
(B) CONSUMPTION PER UNIT OF PRODUCTION			
Products	Acrylic Fibre/Tow/Tops		
Electricity	MW/MT	1.37	1.68
Fuel Oil	K.Ltr/MT	0.01	0.01
Coal ('B' 'C' & 'D' grade coal used in Boiler for generation of steam)	MT/MT	2.48	3.00
Pith	MT/MT	0.26	0.27
Husk	MT/MT	0.15	0.08

DIRECTORS' REPORT (Contd.)

FORM - B
(See Rule-2)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION**(A) RESEARCH & DEVELOPMENT (R&D)****1. SPECIFIC AREAS IN WHICH R&D CARRIED OUT BY THE COMPANY :**

- Development of Antipilling acrylic fibre.
- To indigenise the co-monomer 2-Acrylamido-2-Methyl Propane Sulphonic Acid.

2. BENEFITS DERIVED AS A RESULT OF THE ABOVE R&D :

- Development of antipilling fibre will lead to other field of application for acrylic fibre.

3. FUTURE PLAN OF ACTION :

- Development work towards enhancing capacity for specially fibre.
- Development of Bicomponent & Antipilling fibre.

4. EXPENDITURE ON R&D

	2003-2004	(Rs./lacs) 2002-2003
a) Capital	—	—
b) Recurring	12.00	11.36
c) Total	12.00	11.36
d) Total R&D expenditure as a percentage of total turnover	0.05%	0.06%

(B) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**1. Efforts, if brief, made towards technology absorption, adaptation and innovation**

NO

2. Benefits derived as a result of the above efforts, eg. product improvement, cost reduction, product development, import substitution etc.

N.A.

3. Particulars of imported technology in the last five years :

- | | |
|--|------|
| (a) Technology imported | : NA |
| (b) Year of Import | : NA |
| (c) Has technology been fully absorbed | : NA |
| (d) If not fully absorbed, reason for & future action plan | : NA |

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**UNDER CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES**

We have examined the compliance of conditions of Corporate Governance by M/s.Pasupati Acrylon Limited for the year ended on 31st March, 2004, as stipulated in clause 49 of the Listing Agreement of the said company with Stock Exchange(s).

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we report as under:-

- i) Out of 4 directors comprising the audit committee, 2 directors resigned with effect from 30.09.2003 and 15.12.2003 respectively. However, the audit committee meeting held on 30.01.2004 comprised of only 2 members and Company Secretary was also granted leave of absence.
- ii) The Company Secretary was granted leave of absence for Share Transfer-cum-Shareholders/Investors Grievance Committee meetings held from 24.11.2003 to 20.03.2004.

Subject to the above, we certify that the company has complied with the conditions of Corporate Governance as mentioned in the above mentioned listing agreement.

We state that no investor grievance is pending for a period of exceeding one month against the company as per the records maintained by the shareholders/investors grievance committee.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

for B.K.SHROFF & COMPANY
Chartered Accountants

Place: New Delhi
Date: July 31, 2004

O.P.Shroff
Partner

CORPORATE GOVERNANCE REPORT FOR THE FINANCIAL YEAR 2003-04
Corporate Governance

As required under Clause 49 of the Listing Agreement of the Stock Exchange(s)

1. Company's Philosophy

Corporate Governance refers to set of policies, principles, laws, regulations and procedures etc. Our company has made the requisite compliance under Corporate Governance. Over the years the company has been disclosing information concerning the performance and future prospects of the company in its Director's Report. As required under Clause 49 of the Listing Agreement with Stock Exchanges, following disclosures are set out towards achievements of good Corporate Governance.

2. Board of Directors

The Board of Directors consists of four promoter directors (one managing director, two nominee directors of PICUP and one non-executive director), one whole time director (finance) and three non-executive directors (including one nominee director of IFCI Ltd.). The company has a non-executive chairman.

The Company did not have any material pecuniary relationships with the non-executive directors during the year under review except payment of sitting fee for attending the Board/Committee Meeting(s).

The remuneration of executive/non-executive directors is decided by the Board of Directors.

During the year, six Board Meetings were held on 28.04.2003, 31.07.2003, 18.08.2003, 26.09.2003, 28.10.2003 and 31.01.2004.

None of the Directors of the Board is member in more than ten committees and they do not act as Chairman of more than five committees across all companies in which they are directors.

The composition of Directors and the attendance at the Board Meetings during the year and the last Annual General Meeting and also number of other directorships and Committee Memberships are given below:

Sl. No	Name of Director	Category of Directorship	No. of Board Meetings attended	Attendance at last AGM	No. of other Directorships	No. of Member of other Committee(s)	Chairmanship of other Committee(s)	Note No
1	Mr. Pravir Kumar (PICUP Nominee)	Chairman & Non-executive Director	1	No	3	1	-	B C D
2	Mr. Vineet Jain	Managing Director & Executive Director	6	Yes	2	-	-	A
3	Mr. Vijay Kumar Jain	Non-executive Director	2	No	1 @	1 @	- @	A E
4	Mr. Ramesh Kumar Jain	Non-executive Director	4	No	4	3	-	A
5	Mr. B.N. Pasari	Non-executive Director	1	No	7 @	- @	- @	B E
6	Mr. M.M. Kohli	Non-executive Director	4	No	1	-	-	B
7	Mr. Ravinder Kapur	Non-executive Director	5	Yes	—	-	-	B
8	Mr. Anil Sharma (PICUP Nominee)	Non-executive Director	6	No	8	4	-	B D
9	Mr. R.G. Nirmal (IFCI Nominee)	Non-executive Director	3	No	1 @	1 @	- @	B F
10	Mr. S.C. Malik	Director (Finance) & Executive Director	6	Yes	-	-	-	
11	Mr. Sanjiv Nair (PICUP Nominee)	Chairman & Non-executive Director	4	No	3 @	1 @	- @	C

@ Information furnished as on 31st March, 2003 as resigned during the year.

A. Promoter Directors.

B. Non-executive and independent Directors.

C. Nomination of Mr. Sanjiv Nair was withdrawn w.e.f. 30.09.2003 and in his place Mr. Pravir Kumar, Managing Director of PICUP has been nominated.

D. Promoter Director pursuant to assisted sector agreement between the company and PICUP. However, pursuant to clause 49(1), they are being treated as Independent Director being Nominee of Financial Institutions.

E. Mr. Vijay Kumar Jain, Non-executive Promoter Director resigned from the Board w.e.f. 27.09.2003 and Shri B.N. Pasari, Non-executive Independent Director resigned from Board w.e.f. 30.09.2003.

F. Nomination of Mr. R.G. Nirmal, Non-executive Director (IFCI Nominee) was withdrawn w.e.f. 05.12.2003.