



Quality Assured Company
ISO-9001:2000



ANNUAL REPORT 2004-2005

PASUPATI ACRYLON LIMITED

BOARD OF DIRECTORS

Chairperson

Smt. Surjit Kaur Sandhu
(PICUP Nominee)

Managing Director

Shri Vineet Jain

Directors

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
FCA, FCS, AICWA

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

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 22nd Annual General Meeting of the members of Pasupati Acrylon Ltd., will be held on Thursday, the 29th day of September, 2005 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 Profit & Loss Account of the company for the year ended March 31, 2005, the Balance Sheet as on date, Auditors' Report thereon and the Director's Report.
2. To appoint a Director in place of Shri Ravinder Kapur, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri S.C. Malik, 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(s)

5. "RESOLVED THAT pursuant to section 94 (1)(e) and other applicable provisions, if any, of the Companies Act, 1956 and Article 76(c) of the Articles of Association of the Company, the capital of the company be and is hereby reduced by Rs.10,00,00,000 (Rupees ten crores) by way of cancellation of 1,00,00,000 (One Crore) cumulative redeemable preference shares of Rs.10/- (Rupees ten) each, which have not been issued to any person since the creation of the shares".
6. "RESOLVED THAT pursuant to section 94 (1)(a) and other applicable provisions, if any, of the Companies Act, 1956, the capital of the company be increased by Rs.10,00,00,000 (Rupees Ten Crores) by creation of 1,00,00,000 (One Crore) equity shares of Rs.10/- (Rupees ten) each ranking for dividends and in all other respects pari-passu with the existing equity shares in the company".
7. "RESOLVED THAT pursuant to section 94 and other applicable provisions of the Companies Act, 1956, if any, Clause (v) of the Memorandum of Association of the company be and is hereby substituted by the following:
"V. The authorized capital of the company is Rs.85,00,00,000 (Rupees eighty five crores) divided in 8,50,00,000 (Eight crores fifty lacs) equity shares of Rs.10/- (Rupees ten) each".
8. "RESOLVED THAT the consent of the company be and is hereby accorded to the Board of Directors in terms of section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to create mortgage and/or charge by way of pari-passu charge with other term lending institutions on all the immovable and/or movable properties of the company, wherever situate, both present and future, in favour of consortium of banks namely Allahabad Bank, State Bank of Patiala, Uco Bank, Bank of Baroda, State Bank of Travancore, Canara Bank and Bank of Maharashtra secure the borrowings in the form of Working Capital Term Loan and Funded Interest Term Loan together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment, costs, charges, expenses and other monies, if any, payable by the Company in terms of the loan agreement/other documents to be finalized and executed between the company and the Lenders as above and containing such specific terms and conditions and covenants in respect of enforcement of security as may be stipulated in that behalf and agreed to between the Board of Directors and the Lenders.
RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to finalise documents for creation of mortgage and/or charge and to do all such acts, deeds, matters and things and execute all such documents, instruments and writings as may be required for giving effect to the resolution".

As Special Resolution(s)

9. "RESOLVED THAT the authorized share capital of the company shall be such amount and be divided into such shares as may, from time to time, be provided in Clause V of the Memorandum of Association of the Company".

10. "RESOLVED THAT in accordance with the provisions of Section 100 and other applicable provisions, if any, of the Companies Act, 1956, enabling provisions in the Memorandum and Articles of Association of the Company, the Listing Agreements entered into by the Company with the Stock Exchanges where the securities of the company are listed, as per stipulation of Corporate Debt Restructuring (CDR) Cell and subject to confirmation of the Jurisdictional High Court/Tribunal, Board for Industrial and Financial Reconstruction (BIFR), SEBI, Reserve Bank of India (RBI) and other concerned authorities, if any, and such other approvals, permissions, sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of the aforesaid authorities while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the company (hereinafter referred to as "the Board" which term shall be deemed to include any duly authorized committee thereof), the consent of the Company be and is hereby accorded to the Board for reduction (Derating) of Equity Shares by 10% of the Existing Equity Share Capital in the manner that:

- a) The face/nominal value of such Equity Shares shall remain at Rs.10/- each.
- b) The number of paid-up Equity Shares Capital shall be reduced from the existing 6,34,81,246 Nos. to 5,71,33,121 Nos. of Rs.10/- each.
- c) The fraction(s) arising from the aforesaid reduction shall be consolidated and thereupon vested to a Director(s) and/or officer(s) appointed/nominated by the Board of Directors, who shall hold the shares in trust on behalf of such members of the Company with the express understanding that such Director(s) or Officer(s) to whom such Equity Shares shall vest, shall sell the same in the market at the best available price and pay to the Company the net sale proceeds thereof, which the company shall distribute to the members in proportion to their respective fraction entitlements.
- d) The said Equity Shares (after reduction) shall continue to be listed and traded on the respective Stock Exchanges.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution the Board be and is hereby authorized to do all such acts, deeds and things as the Board may in its absolute discretion consider necessary, proper, desirable or appropriate for making the said reduction of capital as aforesaid and to settle any question, difficulty or doubt that may arise in this regard in such manner as the Board may deem fit and proper in its absolute discretion to be most beneficial to the Company".

11. "RESOLVED that pursuant to the provisions of Section 309, 310 and all other applicable provisions of the Companies Act, 1956, approval of the members be and is hereby given to the enhancement of the Sitting Fees payable to the Directors, from Rs.500/- per meeting to Rs.1500/- per meeting for attending Board Meeting and Committee Meetings".

By order of the Board
PASUPATI ACRYLON LIMITED

Sd/-

(Rakesh Mundra)
Company Secretary

Place : New Delhi
Dated : July 29, 2005

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.



ANNEXURE TO THE NOTICE

- (c) Members/proxies should bring the Attendance Slip duly filled in for attending the meeting.
2. Information relating to item No. 2 & 3 as required under clause 49 of the Listing Agreement with the Stock Exchanges and explanatory statement relating to item No(s). 5 to 11 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 20th day of September, 2005 to 29th day of September, 2005 (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.

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.2

Re-appointment of Shri Ravinder Kapur

Shri Kapur, is a Fellow member of the Institute of Chartered Accountants of India, aged about 68 years, has been Director of your Company since 1984. Except members in Share Transfer-cum-Shareholder Grievance Committee, Audit Committee and Remuneration Committee of Pasupati Acrylon Limited, Shri Kapur does not occupy the position of Directorship, Committee membership in any other public limited company.

ITEM NO.3

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

Shri Malik, is a Fellow Member of the Institute of Chartered Accountants of India, aged 55 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. 5 & 6

The Authorised Share Capital of the Company is Rs.85,00,00,000/- (Rupees Eighty Five Crores only) divided into 7,50,00,000 (Seven Crore Fifty Lacs) Equity Shares of Rs.10/- (Rupees Ten only) each and 1,00,00,000 (One Crore) Cumulative Redeemable Preference Shares of Rs.10/- (Rupees Ten only) each. Board of Directors has proposed to cancel 1,00,00,000 (One Crore) Cumulative Redeemable Preference Shares of Rs.10/- (Rupees Ten) each which has not been issued or agreed to be taken by any person since its beginning and it is proposed to re-classify the aforesaid cancelled shares, by increasing Authorised Share Capital by creating 1,00,00,000 (One Crore) Equity Shares of Rs.10/- (Rupees Ten) each which would be within the Authorised Capital of Rs.85,00,00,000/- (Rupees Eighty Five Crores only) and the proposed equity shares would be rank pari-passu with existing equity shares of the company. The action is being taken to strengthen the equity base of the company and to cater for future expansion plans.

Your directors recommend the resolution for your approval.

None of the directors is in any way interested or concerned in this resolution.

ITEM NO.7

As a consequence of the cancellation and creation of the cumulative redeemable preference share into equity shares, it has become necessary to alter the Memorandum so as to reflect correctly the capital of the company.

Your directors recommend the resolution for your approval.

None of the directors is in any way interested or concerned in this resolution.

ITEM NO.8

Company's Debts have been restructured under Corporate Debt Restructuring (CDR) scheme. Under the CDR, part of the working capital borrowings of the company has been converted into Working Capital Term Loan (WCTL).

It is further stipulated that consortium of banks would be given first pari-passu charge on Fixed Assets of the Company with other term lending institutions.

Your directors recommend the resolution for your approval.

None of the directors is in any way interested or concerned in this resolution.

ITEM NO.9

The present Article 5 is a replica of the Clause V of the Memorandum of Association. To avoid any inadvertent omission to amend the Articles, which requires a special resolution for such alteration, it is proposed to bring the article in consonance with the current practice of automatic linking it with the Memorandum so that any non compliance can be avoided.

Your directors recommend the resolution for your approval.

None of the directors is in any way interested or concerned in this resolution.

ITEM NO.10

The Company had approached Financial Institutions and Banks for restructuring of its debts and for grant of other reliefs and concessions. The Corporate Debt Restructuring (CDR) Cell on behalf of Financial Institutions and Banks vide letter No.Endt.No.BY.CDR/1348 dated 15.12.2004 has approved the Restructuring of debts of the Company which, inter-alia, provides to write down the present Equity Shareholdings of the Company by 10%.

The aforesaid approval letter dated 15th December, 2004 of The Corporate Debt Restructuring (CDR) Cell are open for inspection at the Registered Office of the Company during the business hours.

Your Directors recommend the resolutions for your approval.

Directors to the extent of their holdings are deemed to be interested in the proposed resolution.

ITEM NO.11

Article 120 of the Articles of Association of your company provides for payment of sitting fee to Directors for attending a meeting of the Board or its Committee subject to such maximum fee as may be prescribed under the provision of Section 310 of the Companies Act, 1956. Presently, the directors of the Company are being paid sitting fees @ Rs.500 per meeting for attending the Board meetings and its Committee meetings. Keeping in view the contribution made by the Directors in framing progressive policies and also the valuable guidance/suggestions given by them from time to time, the Board of Directors in its meeting held on 20.06.2005 enhanced the sitting fee from Rs.500/- to Rs.1500/- per meeting for attending the Board meeting and its Committee meeting, for which your approval is solicited.

The present approval of the members will also cover any increase/relaxation prescribed by the Central Government in terms of Section 310 of the Companies Act, 1956.

The non-executive directors may be deemed to be concerned or interested in the passing of this resolution to the extent of the Sitting fees received by them. No other director is concerned or interested in this resolution.

By order of the Board
PASUPATI ACRYLON LIMITED

Place : New Delhi
Dated : July 29, 2005

Registered Office
Thakurdwara
Kashipur Road
Distt. Moradabad
Uttar Pradesh

Sd/-
(Rakesh Mundra)
Company Secretary



DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2005.

Financial Results

Salient financial results during the year under review as compared to the previous year are mentioned below:-

	2004-2005	(Rs. in Crores) 2003-2004
Sales (Gross) & Other Income	325.26	242.83
Profit before Interest & Depreciation	36.34	19.44
Financial Charges	7.72	17.89
Depreciation	10.56	10.48
Profit/(Loss) before Taxes	18.06	(8.93)
Payment/Provision for Taxes	0.01	0.01
Profit/(Loss) after Taxes	18.05	(8.94)
Extra-ordinary Income (net)	20.55	2.09
Intangible assets amortized	-	(10.21)
Debenture Redemption Reserve Written Back	4.81	-
Transfer to Revaluation Reserve	(70.21)	-
Add: Profit & Loss Account surplus/(Loss) brought forward	(33.86)	(16.80)
Profit /(loss) carried to Balance Sheet	(60.67)	(33.86)

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's production has increased to 32093 MT from 26619 MT over the previous financial year, achieving 107 % average capacity utilisation. During the year, Sales of the product of your company has increased to 32026 MT as against 27153 MT during the last financial year, consequently the turnover risen to Rs.320 Crores as compare to Rs. 237 Crores in the previous year, which is 35% higher than the previous financial year. The Company's continuous emphasis on export yielded good result, the export sales during the year were Rs. 48.53 Crores, as compared to Rs.30.62 Crores in the previous financial year. The Company has achieved a Gross Profit of Rs.28.62 Crores, as compared to Gross Profit of Rs.1.56 Crores in the previous financial year.

CURRENT YEAR'S OUTLOOK

Due to rising crude oil prices, the raw material prices are scaling high, putting pressure on margins.

Presently, the demand of Acrylic Fibre is also sluggish.

It is expected that market will look up during the course of year.

FINANCIAL RESTRUCTURING

Based on reference of Allahabad Bank, the lead Consortium Banker, your company has been granted a Financial Restructuring Package by Empowered Group of Corporate Debt Restructuring (CDR). The CDR proposal envisaging, moratorium for repayment of debts, reduction in interest cost and waiver of compounded interest, penal interest and liquidated damages was approved by the CDR Cell. The debts restructured comprised of Debentures, Term Loans, Foreign Currency Loan, IFTL and Working Capital facilities (working capital facilities converted into Working Capital Term Loan amounting to Rs. 1594 lacs). The CDR proposal also stipulates derating of equity by 10% and induction of fresh promoter contribution which will be converted into equity and same would be pledged with the lenders as security. Company has received approval letter from most of the lenders.

Further, the lenders would have option to convert 20% of interest bearing loan and 0% Interest Funded Loan into equity as per SEBI guidelines that remain outstanding after a period of 7 years. The lenders would also have a option to convert entire/part of defaulted interest or principal in event of default continues beyond 90 days.

Unit Trust of India (UTI) and The Pradeshia Industrial & Investment Corporation of UP Ltd. (PICUP) are not CDR Members as such terms of restructuring are not binding on them.

During the year and subsequent to the close of the financial year, the company had made full and final payment of One Time Settlement (OTS) amount to a Bank and a Financial Institution as per settlement arrived at with them. Based on a legal opinion obtained by the company, an amount of Rs. 808.39 lacs in respect of extinguishments of liability towards principal amount has been credited to the Capital Reserve Account. Interest waiver under settlement has been shown under the extraordinary items in the Profit and Loss account.

SHARE CAPITAL

As mentioned above, the Corporate Debt Restructuring (CDR) proposal interalia stipulates;

- To write down the present equity by 10%.
- Promoters contribution of Rs.14 Crores to be converted into equity capital.



DIRECTORS' REPORT (Contd.)

In order to give effect to above, an application has already been made with SEBI for exemption under the SEBI (Substantial Acquisition of Share and Takeovers) Regulations, 1997 for making preferential allotment of equity shares to promoters.

Board of Directors seeks the approval of the Shareholders for reduction of Share Capital by 10% and to reclassify the Authorised Capital by converting 1,00,00,000 (one crore) Cumulative Redeemable Preference Shares of Rs.10/-each into 1,00,00,000 (one crore) Equity Share of Rs.10 each and to make consequential alterations/modifications in Memorandum and Articles of Association of the Company.

EXPANSION OF CAPACITY

As mentioned earlier that demand for the product of the company is gradually increasing and in order to meet the enhanced demand and to take the benefit of cascading effect of market conditions your Company proposes to expand the present capacity of 30000 MTPA to 42000 MTPA.

The expanded production will add to the capabilities of the company to withstand the competition from domestic as well as international manufacturers.

STAR EXPORT HOUSE.

Your Directors are pleased to inform you that your company has been accredited with the status of One Star Export House in accordance with the provisions of the Foreign Trade Policy.

ISO CERTIFICATION

Your Company is an ISO 9001:2000, accredited by Bureau of Indian Standard, Rooid Voor Accreditatie, Netherland. This certification indicates our commitments in meeting global quality and standards.

REFERENCE TO BOARD FOR INDUSTRIAL & FINANCIAL RECONSTRUCTIONS (BIFR)

In view of accumulated losses incurred by the company exceeding its net worth, the company made reference to the Board for Industrial and Financial Reconstruction (BIFR) on 26.09.2003 & 24.11.2004 for declaring it a sick company within the meaning of section 3(1)(o) of Sick Industrial Companies (Special Provisions) Act, 1985. The company's application has been registered as case No.364/2003 & 380/2004 respectively.

With the implementation of Corporate Debt Restructuring proposal and One Time Settlement with some of the lenders, company's net worth has become positive. However, the Company is yet to approach to BIFR in due course for deregistration.

FIXED DEPOSITS

In terms of section 58A (8) of the Companies Act, 1956 read with the Companies (Amendment) Act, 1977 on an application with the Central Government, it has granted the exemption from the provisions of Section 58A of the Companies Act, 1956 & Rules 3(1) (a), 3(2)(I) and 3(2) (II) of the Companies (Acceptance of Deposit) Rules, 1975 in respect of a deposit retained by the company. As per order payment of Fixed Deposit is to be made as per followings;

- In 48 equal monthly instalments starting from 30.04.05
- Interest @ 8.5 % PA w.e.f. 01.04.05 is to be paid on half yearly basis.

DIRECTORS

Shri Ravinder Kapur and Shri S.C.Malik, Directors retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

There has been following changes in the Nominee Directorship since the previous Director's Report.

- The Pradeshia Industrial & Investment Corporation of UP Ltd. (PICUP) has nominated Smt.Surjit Kaur Sandhu, Managing Director of PICUP in place of Shri Anil Swarup. Smt.Sandhu was also appointed as Chairperson of the Board.
- Your Directors welcome the appointment of Smt.Surjit Kaur Sandhu and trust the company will benefit immensely from her valuable experience, advice and guidance.
- Your Directors also place on record their appreciation for the valuable services rendered by Shri Anil Swarup during his 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 along with 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.



DIRECTORS' REPORT (Contd.)

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 relation 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.

STATEMENT PURSUANT TO LISTING AGREEMENT(S)

In view of negligible trading volumes on Stock Exchanges at Kanpur, Delhi, Madras and Kolkata, your Company has got its shares delisted from Delhi, Kanpur and Madras Stock Exchanges w.e.f. 02.09.2004, 21.09.2004 and 19.10.2004 respectively and expect to get delisting approval from Kolkata Stock Exchange very shortly. However your company's equity shares would continue to be listed at "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 Saggu, Cost Accountants, in respect of the Cost Accounts of the company for the year ended 31st March, 2005 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) of the Companies Act, 1956.

The observations made by the Auditors in their report regarding reversal of revaluation reserve earlier set off against losses, the Company has done the same to strictly comply with the accounting practices.

Auditors have reported that the Company has credited Rs. 808.39 lacs to Capital Reserve Account being extinguishments of loan liability, the same has been done as per prevailing practice and legal opinion obtained by the Company.

Auditors have reported that except nominee directors other Directors are disqualified to be appointed as director of any other public company as the company had not redeemed its debentures on due date and as the default continued for more than 1 year upto 31st March 2004. The Company's debts have been restructured under CDR as explained above and Company has made upto date payment of Interest as per terms of CDR to all the lenders including to debenture holders.

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

Sd/-
(S.C. Malik)
Director (Finance)

Sd/-
(Vineet Jain)
Managing Director

Place : New Delhi
Dated : July 29, 2005

**DIRECTORS' REPORT (Contd.)**

(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:
- Two cells of Cooling Tower were converted into Fanless Jet Type Cooling Tower to save power.
 - 01 No. Water Spray Pump in 2 Nos. Comfort Cooling system was stopped after modifying the pipeline to save power.
 - 01 No. Booster Pump was provided for supplying water to Guest House and thus stopped one big size bore well.
 - Steam Soot Blowers were replaced by Sonic Soot Blowers in one Boiler to save steam.
 - Variable Frequency Inverters were installed on 06 Nos. Ventilator Fans in main line Dryer to save power.
 - Variable Frequency Inverters were provided on Reactor Circulation Pump and Cooling Water Pump to increase the capacity of the plant and reduce load on Cooling Tower.
- (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy.
- Cooling water line for Reactor and Distiller shall be modified to reduce cooling water load and thus reduction in running of Cooling Tower Fans.
 - Variable Frequency Inverter shall be provided for other Reactor systems to increase the capacity of the plant and thus reduction of energy consumption per ton of production.
 - One Heat Exchanger shall be provided in the line of one liquid to pre-heat other liquids of Recovery System to save steam consumption.
- (c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production goods.
- By taking above measures about 40kw power per hours and 02 tons steam per day were saved and it is expected that about 25kw power per hour and one ton steam per hour shall be saved.

(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 has been substantial improvement in export performance. Your company has exported fibre for FOB value of Rs.48.01 crores thus registering marked improvement of about 59.24% increase in export sales in comparison to the last year export sales of Rs.30.15 crores and hope your company would continue to strive for the same.

(b) Total Foreign Exchange Used & Earned

Foreign Exchange Used :		(Rs.in lacs)	
	2004-05	2003-2004	
i) Travelling	42.37*	30.72	
ii) Interest & other charges	54.11	56.32	
iii) Commission on export sales	54.55	34.10	
iv) Repair & Maintenance (plant & machinery)	—	—	
v) CIF Value of Imports			
- Raw Material	15680.98	10321.65	
- Stores and spares	145.80	94.06	
- Capital Goods	397.54	55.81	
Foreign Exchange Earned :			
- FOB Value of Exports	4801.35	3014.78	

* Includes amount capitalized

**DIRECTORS' REPORT (Contd.)**

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, 2005	Year Ending March 31, 2004
1.	ELECTRICITY		
a)	Purchased		
	Units (in lacs)	KWH	—
	Total Amount	Rs./Lacs	—
	Rate per Unit	Rs./KWH	—
(b)	Own generation		
(i)	Through Diesel generator units (in lacs)	KWH	5.92
	Unit per Ltr. of Diesel Oil	KWH/Litre	3.03
	Cost/Unit	Rs./KWH	7.10
(ii)	Through turbines		
	Units (in lacs)	KWH	378.88
	Total Cost	Rs./Lacs	1097.42
	Cost/Unit	Rs./KWH	2.90
2.	COAL		
	Quality of Coal and where used	'B', 'C' & 'D' grade Coal used in Boiler for generation of steam	
	Quantity - units	MT	73801
	Total Cost	Rs./Lacs	2298.41
	Average rate	Rs./MT	3114.33
3.	FURNACE OIL		
	Quantity - units	MT	—
	Total Cost	Rs./Lacs	—
	Average rate	Rs./MT	—
4.	HUSK		
	Quantity - units	MT	5536.21
	Total Cost	Rs./Lacs	68.86
	Average Rate	Rs./MT	1243.81
5.	OTHERS/INTERNAL GENERATION		
	Pith		
	Quantity - Units	MT	723.68
	Total Cost	Rs./Lacs	7.25
	Rate/Unit	Rs./MT	1001.82
(B)	CONSUMPTION PER UNIT OF PRODUCTION		
	Products	Acrylic Fibre/Tow/Tops	
	Electricity	MW/MT	1.20
	Fuel Oil	K.Ltr/MT	0.01
	Coal ('B' 'C' & 'D' grade coal used in Boiler for generation of steam)	MT/MT	2.30
	Pith	MT/MT	0.02
	Husk	MT/MT	0.17



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 work on Antipilling Acrylic Fibre
 - Efforts are being made to indigenise raw material 2-Acrylomido, 2-Methyl Propone Sulphonic Acid.
2. **BENEFITS DERIVED AS A RESULT OF THE ABOVE R&D :**
 - Speciality antipilling Acrylic Fibre development work will lead to other fields of acrylic fibre application.
 - Saving in Foreign exchange is envisaged after completion of indigenisation of raw material.
 - Reduction in manufacturing cost.
3. **FUTURE PLAN OF ACTION :**
 - Development of short cut acrylic fibre.
 - Development of acrylic precursor fibre or carbon fibre
4. **EXPENDITURE ON R&D**

	2004-2005	(Rs.in lacs) 2003-2004
a) Capital	—	—
b) Recurring	11.86	12.00
c) Total	11.86	12.00
d) Total R&D expenditure as a percentage of total turnover	0.04%	0.05%

(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, 2005, 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) After resignation of Sh. R.G. Nirmal (IFCI nominee) from the Board of directors w.e.f 15.12.03 Sh. Sanjay Behari was coopted on 31.07.04 and as such during the period 01.04.04 to 31.07.04 the audit committee comprised of 2 directors.
- (ii) There was no company secretary from 15.04.04 to 30.07.04. Share Transfer-cum-Shareholders/Investors Grievance Committee held between 01.04.2004 to 30.07.2004 and audit committee meeting held on 29.04.04 functioned without the company secretary.

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 & CO.,
Chartered Accountants

Place : New Delhi
Dated : July 29, 2005

O.P. SHROFF
PARTNER