



ANNUAL REPORT 2005-2006

PASUPATI ACRYLON LIMITED

BOARD OF DIRECTORS

Chairman

Shri Sudhir Garg
(PICUP Nominee)

Managing Director

Shri Vineet Jain

Directors

Shri M.M.Kohli
Shri Ravinder Kapur
Shri S. Satyamoorthy
Shri R.K. Gupta (PICUP Nominee)
Shri Sanjay Behari (IFCI Nominee)
Shri S.C.Malik (Director Finance)

Sr. G M. (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

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

Intime Spectrum Registry 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 23rd Annual General Meeting of the members of Pasupati Acrylon Ltd., will be held on Thursday the 28th day of September, 2006 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, 2006, the Balance Sheet as on date, Auditors' Report thereon and the Director's Report.
2. To appoint a Director in place of Shri M.M. Kohli, 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 Shri S. Sathyamoorthy, who was appointed as an Additional Director pursuant to section 260 of the Companies Act, 1956 And Article 117 of the Articles of Association of the Company, and holds such office upto the date of this Annual General Meeting and in respect of whom the company has received notice in writing pursuant to section 257 of the Companies Act, 1956, proposing his candidature to the office of Director, be and is hereby appointed as Director of the company."
6. "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 2nd charge on pari-passu basis with other term lending institutions on all the immovable 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 Maharashtra, State Bank of Travancore, Bank of Baroda, Canara Bank to secure the borrowings in the form of Working Capital Loan whether fund based or non fund based 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

7. "RESOLVED THAT pursuant to section 314 and other applicable provisions, if any, of the Companies Act, 1956 And pursuant to the Directors Relative (office or Place of profit) Rules, 2003 or any amendment or substitution thereof, and subject to any other approval required, if any, approval of the company be and is hereby accorded to Mr. Manish Jain (Relative of Mr. Vineet Jain,

Managing Director of the Company) to hold and continue to hold office or place of profit under the company as 'Executive Vice President' upon a monthly remuneration as detailed in explanatory statement annexed hereto with effect from 1st October, 2006

RESOLVED FURTHER that the Board of Directors be and is hereby authorized to do all such acts, deeds and things as may be necessary, expedient and desirable for the purpose of giving effect to this resolution."

By order of the Board
PASUPATI ACRYLON LIMITED

Sd/-
(Rakesh Mundra)
Company Secretary

Place: New Delhi
Dated: July 27, 2006

Registered Office
Thakurdwara
Kashipur Road
Distt. Moradabad
Uttar Pradesh-244601

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. 2, 3 & 5 as required under clause 49 of the Listing Agreement with the Stock Exchanges and explanatory statement relating to item No(s). 5, 6 & 7 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, 2006 to 28th day of September, 2006 (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



ANNEXURE TO THE NOTICE

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.

10. **Consequent to reduction of share capital by 10% your company has issued and dispatched new share certificates to those shareholders holding shares in physical mode. In case of non-receipt please write to Registrar/ us giving folio nos., certificate nos. etc.**

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

ITEM NO. 2, 3 & 5

Name of Director	Mr.M.M.Kohli	Mr. S.C. Malik	Mr. S. Sathyamoorthy
Date of Birth	04.06.1930	10.01.1950	03.12.1944
Date of Appointment	01.02.1989	01.10.1994	29.06.2006
Experience in specific Functional Area	A retired IAS officer of 1952 batch, was Ex-Secretary to Ministry of Energy, Government of India. He has also held various senior positions in the state as well as at the central Government and has varied experience in specialties function and general management.	A Fellow Member of the Institute of Chartered Accountants of India, has been in the service of your company since 1990 and had held senior positions in Finance and Accounts departments of your company, prior to his appointment as whole time Director (Finance).	Retd. Dy. Comptroller & Auditor General in the Rank of Secretary to Govt. of India with expertise in the fields of Audit, Accounts and also have very rich assorted experience in the field of Economic, Law and General Management.
Qualification	I.A.S.	B. Com (Hons), F.C.A	B.Com, I.A.A.S, C.A.I.I.B, Post Graduate Diploma in Development Finance (U.K)
Directorship in other public Limited Companies	Nil	Nil	Nil
Member/ Chairman of committee of the Board of the public limited Companies on which he is a Director	Except members in Audit Committee and Remuneration Committee of Pasupati Acrylon Limited, Shri Kohli does not occupy membership in any other public limited company.	Except, member in Share Transfer-cum-Shareholders Grievance Committee and Audit Committee of Pasupati Acrylon Limited, Shri Malik does not occupy membership in any other public limited company.	Nil

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

ITEM NO. 5

Shri S Sathyamoorthy was appointed as an additional Director under section 260 of the Companies Act, 1956 and would be holding office up to the date of this Annual General Meeting. The Company has received a notice under section 257 of the Companies Act, 1956 proposing his candidature for the Office of Director.

Your Directors considers that Shri Sathyamoorthy's experience and guidance will be of immense value to the Company and accordingly commend his appointment for your approval.

Except Shri S. Sathyamoorthy, none other Directors of the Company is in any way concerned or interested in the proposed resolution.

ITEM NO. 6

Section 293 (1) (a) of the Companies Act, 1956 provides *inter alia* that the Board of Directors of a public Company shall not, without the consent of such company in General Meeting sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the company or where the company owns more then one undertaking, the whole or substantially the whole of any such undertaking.

Your company is availing working capital facilities of Rs.7851.50 lacs from a consortium of banks. The said facilities will be secured on paripassu basis by way of mortgage/charge on the immovable properties of the company by deposit of title deeds by constructive delivery on 2nd charge basis in favour of Allahabad bank acting for self and other working capital lenders to secure due repayment.

Mortgaging/charging by the company of it's immovable properties in favour of the lenders as aforesaid may be regarded as disposal of the whole or substantially the whole of the said undertakings of the company and accordingly, consent of the Members of the company is sought for creation of mortgages/charges as set out in the Resolution No.6

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

Shri Manish Jain, a relative of Shri Vineet Jain, Managing Director of the Company, is a commerce Graduate. He is working with the Company as Executive Vice president since 01.12.1997.

The Board of Directors of the company at its meeting held on 27.07.2006 has decided to revise his salary, details of which are given here under subject to approval of shareholders as per Section 314 of the Companies Act and Directors Relative (office or Place of profit) Rules, 2003, with effect from 1st October, 2006.

1. Basic Salary Rs.37000 (Thirty Seven thousand) per month.
2. Contribution to provident fund and superannuation as per rules of the Company.
3. Reimbursement of medical expenses subject to maximum of Rs.15000 per year.
4. Medical Insurance as per Rules of the Company.

The Board of Directors of the Company accordingly recommend the resolution for approval of the members.

Except Shri Vineet Jain, none other directors of the company is in any way concerned or interested in the proposed special resolution.

By order of the Board
PASUPATI ACRYLON LIMITED

Sd/-

(Rakesh Mundra)
Company Secretary

Place : New Delhi
Dated : July 27th, 2006
Registered Office :
Thakurdwara,
Kashipur Road
Distt. Moradabad,
Uttar Pradesh-244601

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, 2006.

Financial Results

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

		(Rs. in Crores)
	2005-2006	2004-2005
Sales (Gross) & Other Income	299.57	325.26
Profit before Interest & Depreciation	1.46	36.34
Financial Charges	7.22	7.72
Depreciation	10.63	10.56
Profit/(Loss) before Taxes	(16.39)	18.06
Payment/Provision for Taxes	0.25	0.01
Profit/(Loss) after Taxes	(16.64)	18.05
Extra-ordinary Income (net)	-	20.55
Debenture Redemption Reserve Written Back	-	4.81
Transfer to Revaluation Reserve	-	(70.21)
Add: Profit & Loss Account Loss brought forward	60.67	
Less: Adjusted against share capital reduction	<u>6.35</u>	(33.86)
Loss carried to Balance Sheet	(70.96)	(60.67)

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 31063 MT of Acrylic Fibre (ASF) as against 32093 MT during the previous financial year, achieving 103% average capacity utilisation. During the year, Sales of the product of your company has been to 30596 MT of Acrylic Fibre against 32026 MT during the last financial year. The Production and sales are marginally lower due to drop in exports. The turn over has been down to Rs.294 Crores as against Rs.320 Crores in the previous year. The year under review witnessed abnormal increase in cost of main raw materials i.e ACN by more than 20% due to continue spurt in crude oil prices and various external factors. Though Government reduced custom duty from 10% to 5% w.e.f.,01.07.2005 but the rise was so sharp, that it only has nominal effect. The rise in raw material prices and other input cost could not be passed on to market causing melancholy in margins.

In the recent budget, the excise duty on acrylic fibre reduced to 8%, whereas the excise duty on raw material kept unchanged at 16%. The Government also imposed 4% additional custom duty, thus effectively the company is paying 22% custom duty while it can adjust only 8% duty on output. This has resulted in an inverted duty structure for the Company resulting into accumulation of Cenvat credit, causing strain on cash flow. The Company has made several representation both directly and through various Chambers to the Ministry of Finance for the correction of this anomaly, but Government's response is yet awaited.

CURRENT YEAR'S OUTLOOK

Though the rise in A C N Prices is continuing, but the Fibre Prices is also showing sign of improvement due to pick up in demand. It is expected that in the course of the year the market will further look up. The Crude Oil is also seems to be settling down at 70 dollar a barrel, which would help in stabilizing A C N Prices.

CHANGES IN SHARE CAPITAL

As per stipulation of Corporate Debt Restructuring Cell (CDR) there has been following changes in the share capital since the previous Director Report;

(i) Reduction of capital

As per Hon'ble Allahabad High court order dated 17.01.2006 share capital of your company stands reduced by 10%. All necessary formalities in this regards has been completed including allotment and dispatch of new share certificates.

(ii) Preferential Allotment of Equity shares

During the year, your Company has issued and allotted 1,40,00,000 equity shares of Rs.10 each at par on preferential basis to promoter group companies on 16.03.06. These shares will remain under lock in for a period of three years from the date of allotment

DIRECTORS' REPORT (Contd.)

i.e. upto 15.03.09. As per CDR stipulation these shares are also pledged with financial institution and banks till repayments of loan and interest thereon.

LISTING

(i) Re listing of equity shares after reduction.

In order to give effect reduction of share capital, your company's trading remain suspended w.e.f 17.02.2006 from Mumbai Stock exchange. However the Exchange vide it's letter Ref. DCS/SJK/RCG/SS/2006/500456 Dated 15th May, 2006 has accorded it's approval effective from Wednesday, May 17, 2006 re listing of 5,71,33,121 equity shares of your Company.

(ii) Listing of preferential issue.

As informed above, during the year your company has allotted 14000000 equity shares to promoters group companies. Your Directors are pleased to inform you that Mumbai Stock Exchange vide it's letter No.list/sdm/ns/pdk/2006 Dated 19th May, 2006 has accorded it's approval effective from Monday, May 22, 2006 listing of these equity shares.

DE REGISTRATION FROM BIFR

In view of the financial and capital restructuring measures taken by the company the net worth of your Company has become positive. At the hearing held on 12.06.06 it was submitted before the Hon'ble Bench that in view of the fact that Company's Net Worth has turned positive the Company may be discharged from the purview of BIFR. Your Directors are pleased to inform you that Company's submission have been accepted by the Hon'ble Bench and accordingly your Company was discharged from the BIFR.

EXPANSION OF CAPACITY

As reported last year demand for the product of the company is gradually increasing and in order to meet the enhanced demand and to take the benefit of economic of scale, your Company is in the process to enhance production capacity from 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.

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.

FIXED DEPOSITS

The outstanding public deposits at the end of the year under review amounted to Rs.125.63 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.

DIRECTORS

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

In accordance with 117 Articles of Association of the company Shri S.Sathyamoorthy was appointed as an Additional Director during the year under review to further broad-base the Board. Shri Sathyamoorthy, holding office upto the date of this Annual General Meeting. In term of section 257 of the Companies Act, 1956, the company has received a notice from a shareholder signifying his intention to propose Shri S. Sathyamoorthy as Director. The Directors of your company recommended his appointment, as the company will benefit immensely from his experience, advice, and guidance.

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

- The Pradeshia Industrial & Investment Corporation of UP Ltd. (PICUP) has nominated Shri.Sudhir Garg, Managing Director of PICUP in place of Shri. Deepak Singhal, who was also nominated in place of Smt.Surjit Kaur Sandhu. Shri Garg was also appointed as Chairman on the Board.
- Shri R.K.Gupta has also been nominated by PICUP in place of Shri. Anil Sharma.

Your Directors welcomes the appointments of Shri.Sudhir Garg, Shri R.K.Gupta and Shri. Sathyamoorthy and trust that the company will benefit immensely from their valuable experiences, advises and guidance.

Your Directors also place on record their appreciation for the valuable services rendered by Shri Deepak Singhal, Smt.Surjet Kaur Sandhu and by Shri Anil Sharma 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;



DIRECTORS' REPORT (Contd.)

- 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 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.

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, 2006 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.

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. In this regard your Directors would like to state that based on legal opinion obtained by the Company 'Privately placed debentures' can not be construed to be 'debentures' for the purpose of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956. Moreover, as reported last year that the Company's debts have been restructured under Corporate Debt Restructuring Scheme (CDR) and Company is meeting all its obligation as regards to payment of interest and principal to all lenders including debenture holders. Therefore, default if any is only a technical default.

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 : June 29, 2006

**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:

- i. Installed one no. sonic soot boiler no.2 which resulted in to direct saving of steam by 1.6T/day and indirect benefit of reduction in stack temperature.
- ii. Position was made to flush the heat exchangers 'On line' by modifying the system. The solution of this heat exchanger feeds to coagulation bath, with this arrangement one chilled water pump of capacity 90 KW stopped which used to run extra during summer period.

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

- i. Sonic soot blower shall be installed in Boiler No. 1
- ii. Inverters shall be installed in cooling tower

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

On account of above measures there would be substantial saving.

(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.

Your company has exported fibre Rs.11.45 crores (FOB) as compared to Rs. 48.01 crores during the pervious financial year, due to sluggish demand. Continuous efforts are being made to improve export performance.

(b) Total Foreign Exchange Used & Earned

Foreign Exchange Used :		(Rs.in lacs)	
	2005-06	2004-2005	
i) Travelling	14.42*	42.37*	
ii) Interest & other charges	114.29	54.11	
iii) Commission on export sales	4.08	54.55	
iv) Repair & Maintenance (plant & machinery)	—	—	
v) CIF Value of Imports			
- Raw Material	17842.49	15680.98	
- Stores and spares	160.52	145.80	
- Capital Goods	160.75	397.54	
Foreign Exchange Earned :			
- FOB Value of Exports	1145.12	4801.35	

* 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, 2006	Year Ending March 31, 2005
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	12.16
	Unit per Ltr. of Diesel Oil	KWH/Litre	3.02
	Cost/Unit	Rs./KWH	8.81
(ii)	Through turbines		
	Units (in lacs)	KWH	359.88
	Total Cost	Rs./Lacs	1155.05
	Cost/Unit	Rs./KWH	3.21
2.	COAL		
	Quality of Coal and where used	'B', 'C' & 'D' grade Coal used in Boiler for generation of steam	
	Quantity - units	MT	71642
	Total Cost	Rs./Lacs	2460.98
	Average rate	Rs./MT	3435.11
3.	FURNACE OIL		
	Quantity - units	MT	—
	Total Cost	Rs./Lacs	—
	Average rate	Rs./MT	—
4.	HUSK		
	Quantity - units	MT	2924.14
	Total Cost	Rs./Lacs	46.76
	Average Rate	Rs./MT	1599.10
5.	OTHERS/INTERNAL GENERATION		
	Pith		
	Quantity - Units	MT	4287.05
	Total Cost	Rs./Lacs	31.75
	Rate/Unit	Rs./MT	740.60

(B) CONSUMPTION PER UNIT OF PRODUCTION

Products	Acrylic Fibre/Tow/Tops		
Electricity	MW/MT	1.20	1.20
Fuel Oil	K.Ltr/MT	0.01	0.01
Coal ('B' 'C' & 'D' grade coal used in Boiler for generation of steam)	MT/MT	2.31	2.30
Pith	MT/MT	0.14	0.02
Husk	MT/MT	0.09	0.17

**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 work on Antipilling Acrylic Fibre
- Development work on Acrylic Fiber for grindley yarn.
- Development work on anti-bacterial Acrylic Fibre .

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

- Speciality antipilling and anti-bacteria Acrylic fibre development work will lead to other field of Acrylic Fibre application.

3. FUTURE PLAN OF ACTION :

- To improve Acrylic Fibre Quality in different categories

4. EXPENDITURE ON R&D

	(Rs.in lacs)	
	2005-2006	2004-2005
a) Capital	—	—
b) Recurring	10.95	11.86
c) Total	10.95	11.86
d) Total R&D expenditure as a percentage of total turnover	0.04%	0.04%

(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, 2006, 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) As per listing agreement (prior to amendment) all members of audit Committee were to be independent, however on meetings held on 20.06.2005, 29.07.2005, 27.10.2005, audit committee comprised of 1 executive and 3 independent directors.
- (ii) One Board meeting held on 29.06.2005 was held after a gap of more than 4 months.
- (iii) As the Company's delisting application to Kolkatta stock exchange is pending, no listing fees has been paid for year 2005-06.

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.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India. We have to state that the Registrar and share Transfer Agent of the Company has certified that there was no investors grievances/ complaints pending against the company as at the year end.

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 : June 29, 2006

O.P. SHROFF
PARTNER