

POLYSPIN EXPORTS LTD

(100% EXPORT ORIENTED UNIT)

RAJAPALAYAM



*Twenty First Annual Report and Balance sheet
as at 31st March 2006*

BOARD OF DIRECTORS : SHRI A. RAMMOHAN RAJA, *Managing Director*
SHRI K. LAKSHMI NARAYANAN
SHRI S. KALYANAM
SHRI S.R. SUBRAMANIAN
SHRI A. THIRUPPATHY RAJA
SHRI S. SHANKAR
SHRI S.V. RAVI
SHRI R. RAMJI, *Joint Managing Director*

SECRETARY : SHRI P.S. RAMANATHAN, B.Com.,B.L.,A.C.S.

AUDITORS : M/s. KRISHNAN AND RAMAN,
CHARTERED ACCOUNTANTS,
RAJAPALAYAM.

BANKERS : CITY UNION BANK LTD.
RAJAPALAYAM.

REGISTERED OFFICE : 351, P.A.C.R. SALAI,
RAJAPALAYAM - 626 117.

**FACTORY &
ADMINISTRATIVE OFFICE** : 1, RAILWAY FEEDER ROAD,
CHOLAPURAM SOUTH - 626 139.
RAJAPALAYAM.

LISTED STOCK EXCHANGE : MADRAS STOCK EXCHANGE,
POST BOX NO. 183,
11, SECOND LINE BEACH,
CHENNAI - 600 001.

NOTICE

Notice is hereby given that the Twenty First Annual General Meeting of the members of the Company will be held at 9.30 A.M. on Wednesday, the 20th September, 2006 at Sri Arjuna Manthiram, No. 12, Sri Krishna Colony, P.A.C.R. Salai, Rajapalayam, to transact the following business.

AGENDA

1. To receive and adopt the Balance Sheet as at 31st March, 2006, Profit and Loss Account for the period ended on that date and the reports of Directors and Auditors thereon.
2. To declare a Dividend.
3. To appoint a Director in place of Sri K. Lakshminarayanan who retires by rotation and being eligible offers himself for re-election.
4. To appoint a Director in place of Sri S. Kalyanam who retires by rotation and being eligible offers himself for re-election.
5. To appoint Auditors and fix their remuneration. M/s. Krishnan & Raman, Chartered Accountants, the retiring Auditor is eligible for re-appointment.

By order of the Board,

Place : Rajapalayam

Date : 28.07.2006

P.S. RAMANATHAN

Secretary

Notes :

- (a) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
- (b) The instrument appointing a proxy should however be deposited at the registered office of the company not less than forty eight hours before the commencement of the meeting.
- (c) The Register of Members and the Share Transfer Books of the Company will remain closed from 8.09.2006 to 20.09.2006 (both days inclusive)
- (d) The dividend on the Equity shares as recommended by the Board will be paid on the approval of the members of the company to the eligible shareholders whose name appear in the company's register of members as on 20th september 2006 and to the eligible beneficial owners whose name appear in the list provided by the Depositories - National Securities Depository Ltd and Central Depository Services (India) Ltd as on 7th September 2006.
- (e) Members holding shares in physical form are requested to notify immediately change in their address, if any, to the Company quoting their folio numbers and members holding shares in Electronic form to their respective depository participant.

DIRECTORS' REPORT**To the Members,**

Your Directors have pleasure in presenting their Twenty First Annual Report on the working of the Company and Audited Accounts for the year ended 31st March, 2006.

FINANCIAL RESULTS :

	Year ended 31.03.2006	Year ended 31.03.2005
	Rs.	Rs.
Sales and other Income	23,80,80,756	18,10,85,215
Operating Profit (Profit before interest, Depreciation and Tax)	1,78,77,899	1,29,02,175
LESS : Interest	64,58,607	43,63,560
Profit before Depreciation and Tax	1,14,19,292	85,38,615
LESS : Depreciation	46,96,810	40,23,776
Profit before Tax	67,22,482	45,14,839
Surplus Brought forward from previous year	1,60,477	1,92,938
Add : Excess provision for Taxation withdrawn	27,503	-----
	69,10,462	47,07,777
LESS : Provision for Taxation - Current	16,00,000	3,50,000
Provision for Taxation - Deferred	8,40,000	12,50,000
Provision for Fringe Benefit Tax	50,000	-----
Profit available for appropriation	44,20,462	31,07,777

Your directors propose to appropriate the same as follows :

Prior Year Item	-----	10,700
Proposed Dividend @ 6%	24,00,000	24,00,000
Tax on Proposed Dividend	3,36,600	3,36,600
Transfer to General Reserve	15,00,000	2,00,000
Balance carried over to Balance Sheet	1,83,862	1,60,477
	44,20,462	31,07,777

DIVIDEND :

Your Directors are pleased to recommend the payment of Dividend at 6%.

This Dividend is not taxable in the hands of the Members. However Tax on the Dividend amounting to Rs. 3.37 Lakhs would be paid by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS :

REVIEW OF THE OPERATION, CURRENT TRENDS AND FUTURE PROSPECTS :

PRODUCTION AND SALES

The Production and Sale of the Company's products, PP woven FIBC bags were as follows :

	Year ended 31.03.2005	Year ended 31.03.2006	Increase Percentage
Production (Kgs)	18,77,595	23,13,386	23 %
Sales (Kgs)	18,82,041	22,83,618	21 %

Due to the ever increasing price of crude oil, the price of Polypropylene granules, our major input has also increased drastically. In spite of this, your company's production and turnover has increased by 23% & 21% respectively and the profit after tax by 42% due to the adoption of strategic methods.

FUTURE PROSPECTS :

The selling prices of the company's products are under constant pressure in view of the increasing trend of the price of plastic raw materials. This is being managed by optimized utilization of production capacity, a good product mix and Identification of new markets. In this process profitability is likely to be maintained.

EXPANSION :

The expansion of the production capacity from 1200 Tons to 2400 Tons per annum was completed in time. The full benefits of such expansion will be reflected in the current year.

DEPOSITS :

The total amount of deposits as on 31st March, 2006 was Rs. 194.96 Lakhs. The Company has no overdue deposits.

ENERGY CONSERVATION / TECHNOLOGY ABSORPTION / FOREIGN EXCHANGE :

In terms of section 217(i) (e) of the Companies Act, 1956, read with the companies (Disclosure of particulars in the report of Board of Directors) rules 1988, the following informations are furnished.

ENERGY CONSERVATION :

Strict control was exercised during the year for economising the use of power.

TECHNOLOGY ABSORPTION :

Since the company has not taken steps regarding Research and Development, the particulars to be furnished under technology absorption is not applicable.

FOREIGN EXCHANGE EARNINGS AND OUTGO :

The outgo of foreign exchange during the year is Rs. 733.54 Lakhs. The foreign exchange earnings during the year is Rs. 2,128.20 Lakhs.

PARTICULARS OF EMPLOYEES :

Statement under Section 217 (2A) of the Companies Act, 1956 has not been furnished, since none of the employee is getting remuneration of more than Rs. 2,00,000/- per month or Rs.24,00,000/- per annum.

RESPONSIBILITY STATEMENT :

The Directors confirm :

- a) That in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same ;
- b) That appropriate accounting policies have been selected and applied them consistently and have 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;
- c) That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d) That the annual accounts have been prepared on a going concern basis.

DIRECTORS :

Sri K. Lakshminarayanan and Sri S. Kalyanam Directors retire by rotation at the ensuing Annual General Meeting and they are eligible for re-appointment.

AUDITORS :

M/s. Krishnan & Raman, Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible for re-appointment.

REPORT ON CORPORATE GOVERNANCE:

A report on Corporate Governance is annexed herewith and it forms part of the Directors Report.

ACKNOWLEDGEMENT :

Your Directors thank City Union Bank and State Bank of India, Commercial Branch, for their help and co-operation during the year.

The Board also records its appreciation for the hard and dedicated efforts of the employees at all levels.

On Behalf of the Board,
For POLYSPIN EXPORTS LIMITED,

Place : Rajapalayam
Date : 28.07.2006

A. RAMMOHAN RAJA
MANAGING DIRECTOR

REPORT ON CORPORATE GOVERNANCE

The Company is firmly and sincerely committed to the principles of good Corporate Governance and has taken all possible steps to enhance the interest of Shareholders, Employees, Customers and the Nation. Your Company believes in conducting the business in the most ethical way and that is the way in which it has conducted itself all these years and would continue to do so.

I. BOARD OF DIRECTORS

The Company is managed by the Board of Directors. Sri A. Rammohan Raja resigned from the Chairmanship of the company. He continues to be the Managing Director. He is assisted by Sri R. Ramji, Joint Managing Director in the day to day affairs of the Company. The Board consists of eight Directors out of whom six are Non-executive Directors. There are Four independent Directors, who are eminent persons in the field of Banking, Finance, Management, Law and Business.

The Board consists of Eight Directors :

Name of the Directors	Category	Number of Directorship Held	
		PUBLIC	PRIVATE
1) Sri A. RAMMOHAN RAJA	Executive - Managing Director	3	1
2) Sri K. LAKSHMI NARAYANAN	Non-Executive / Independent	1	1
3) Sri S. KALYANAM	- do -	3	1
4) Sri S.R. SUBRAMANIAN	Non-Executive	2	1
5) Sri A. THIRUPPATHY RAJA	Non-Executive / Independent	1	--
6) Sri S. SHANKAR	- do -	1	2
7) Sri S.V. RAVI	Non-Executive	2	2
8) Sri R. RAMJI	Executive - Joint Managing Director	4	1

Six Meetings of the Board of Directors of the Company was held during the year 2005-06, on 28.04.2005, 29.07.2005, 26.09.2005, 19.10.2005, 22.12.2005 and 27.01.2006.

Name of the Directors	Attendance at the Board Meeting	Attendance at Last AGM
1) Sri A. RAMMOHAN RAJA	2	No
2) Sri K. LAKSHMI NARAYANAN	5	No
3) Sri S. KALYANAM	5	No
4) Sri S.R. SUBRAMANIAN	6	Yes
5) Sri A. THIRUPPATHY RAJA	6	Yes
6) Sri S. SHANKAR	3	No
7) Sri S.V. RAVI	6	Yes
8) Sri R. RAMJI	6	Yes

II. BRIEF RESUME OF THE DIRECTORS SEEKING REAPPOINTMENT :

Name of the Director	Sri K. Lakshminarayanan		Sri S. Kalyanam	
Age (Years)	73		72	
Date of Appointment	15.10.1994		06.07.2001	
Expertise in specific functional area	Retired Bank executive		Eminent Legal Advisor	
Qualification	B.Com., C.A.I.I.B.,		M.A., B.L.,	
List of outside Directorship held	PUBLIC	PRIVATE	PUBLIC	PRIVATE
	---	1	2	1
Chairman / Member of the committee of the Board of Directors of the Company	Chairman of Audit Committee		NIL	
Chairman / Member of the committee of Directors of other Companies	NIL		NIL	

III. AUDIT COMMITTEE

Terms of Reference :

The Terms of Reference of the Audit Committee pertains to the areas referred to in Sec. 292A of the Companies Act and Clause 49 of the Listing Agreement with the Stock Exchange. The Audit Committee Consists of Sri K. Lakshmi Narayanan, (Chairman of the Committee), Sri S.V. Ravi, and Sri S. Shankar. Sri P.S. Ramanathan is the Secretary of the Committee.

The Audit Committee met five times during the financial year on 28.04.2005, 29.07.2005, 19.10.2005, 22.12.2005 and 27.01.2006.

IV. REMUNERATION OF DIRECTORS

Your Company does not have a Remuneration Committee. The remuneration payable to the Managing Director is determined by the Board subject to the approval of the Shareholders.

Details of Remuneration paid to the Managing Director during the year 2005-06 are given below:

<u>Name and Designation</u>	<u>Salary & Perquisites (Rupees in Lakhs)</u>
Sri A. RAMMOHAN RAJA, Managing Director	7.92

No commission has been paid to the Managing Director, though he is eligible.

V. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE :

The Company has formed an Investors / Shareholders Grievance Committee consisting of Sri S.R. Subramanian (Chairman of the Committee), Sri A. Thiruppathy Raja, and Sri R. Ramji. Sri P.S. Ramanathan is the Compliance Officer.

The Committee met four times during the financial year on 28.04.2005, 29.07.2005, 26.09.2005 and 27.01.2006.

No. of Shareholders queries / complaints received during 2005-2006	- 94
No. of Complaints / queries not solved to the satisfaction of Shareholders	- Nil
No. of Pending Share Transfer	- Nil
No. of Pending Change of Address	- Nil

VI. DISCLOSURES

Disclosures on materially significant, related party transactions i.e., transaction of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc., that may have potential conflict with the interest of Company at large : **NIL**

Details of non compliance by the company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years : **NIL**

VII. GENERAL BODY MEETING

Details of the Date , Location and Time of the last three AGM.

Date	Venue	Time
08.09.2003	Sri Arjuna Manthiram, Rajapalayam.	9.30 A.M.
24.09.2004	- do -	9.30 A.M.
26.09.2005	- do -	9.30 A.M.

Postal Ballot

No special Resolution requiring Postal Ballot as required by the Companies (passing of the resolutions by postal ballot) Rules, 2001 / Clause 49 of the Listing Agreement has been placed for Shareholders approval at the last Annual General Meeting and the company is not proposing any special resolution to be taken up at the ensuing Annual General Meeting through postal ballot.

VIII. MEANS OF COMMUNICATION

Quarterly results and Half yearly results are generally published in Business Line (English) and Dinamalar (Tamil).

Tentative Schedule for Publication of Financial Results of the Company :

Unaudited results for the First Quarter	- 15 th to 31 st of July
Unaudited results for the Second Quarter	- 15 th to 31 st of October
Unaudited results for the Third Quarter	- 15 th to 31 st of January
Unaudited results for the Fourth Quarter	- 15 th to 30 th of April

IX. MANAGEMENT DISCUSSION AND ANALYSIS

The matters that are required to be discussed as per the listing Agreement in respect of management Discussion & Analysis has been stated in the Directors report.

X. SHAREHOLDERS INFORMATION

1. FINANCIAL CALENDER : Year ended March 31, 2006
2. ANNUAL GENERAL MEETING : TWENTY FIRST
3. DATE & TIME : 20th September 2006 --- 9.30 A.M.
4. VENUE : Sri Arjuna Manthiram
No. 12, Sri Krishna Colony,
P.A.C.R. Salai, Rajapalayam.
5. DATE OF BOOK CLOSURE : 08.09.2006 to 20.09.2006
6. DIVIDEND PAYMENT DATE : Within 30 days from the date of AGM
7. LISTED STOCK EXCHANGE : The Madras Stock Exchange, Chennai.

The Company has paid Annual listing fee to the above Stock Exchange for the financial year 2006-2007.

8. The Companys Shares are permitted to be traded in Bombay Stock Exchange under INDONEXT platform with effect from 15.05.06

9. STOCK CODE : 1. BSE - 590055 (INDONEXT)
2. MSE - PSK

10. STOCK PRICE PERFORMANCE : The Share price movement in Bombay Stock Exchange is given below.

Month	High	Low
May 06	95.50	33.50
June 06	30.40	11.30
July 06	16.70	9.15

Source : BSE website

Note : There is no trading in Madras Stock Exchange.

11. SHARE TRANSFER SYSTEM : The transfer of physical shares is being carried out in house.

The transfers are normally processed within 30 Days from the date of receipt, if the documents are complete in all respects. The committee consisting of Two Directors & Company Secretary are empowered to approve the share transfer.

There are no pending share transfer as on 28.7.2006