

POLYSPIN EXPORTS LTD

(100% EXPORT ORIENTED UNIT)

RAJAPALAYAM



*Twenty Third Annual Report and Balance sheet
as at 31st March 2008*

POLYSPIN EXPORTS LIMITED

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

SECRETARY : SHRI P.S. RAMANATHAN

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.

REGISTRAR & TRANSFER AGENTS : M/s. Integrated Enterprises (India) Ltd.,
 2 nd Floor, Kences Tower,
 No. 1, Ramakrishna Street,
 North Usman Road, T. Nagar,
 Chennai - 600 017.
 Phone No. : 044 - 28140801

NOTICE :

Notice is hereby given that the Twenty Third Annual General Meeting of the members of the Company will be held at 9.30 A.M. on Monday, the 11th August, 2008 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, 2008, Profit and Loss Account for the period ended on that date and the reports of Directors and Auditors thereon.
2. To appoint a Director in place of Sri S. Shankar who retires by rotation and being eligible offers himself for re-election.
3. To appoint a Director in place of Sri S.V. Ravi who retires by rotation and being eligible offers himself for re-election.
4. To appoint Auditors and fix their remuneration. M/s. Krishnan & Raman, Chartered Accountants, the retiring Auditor is eligible for re-appointment.

SPECIAL BUSINESS :

5. To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution.

RESOLVED that Sri P.K. Ramasubramanian, be and is hereby appointed as Director of the Company subject to retirement by rotation.

6. To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution.

RESOLVED that pursuant to the Resolution passed by the Board of Directors in their meeting held on 16th June, 2008 and subject to the provisions of the Companies Act, 1956 read with Schedule XIII and other applicable provisions if any and subject to such approvals as may be necessary, the Company hereby accords its consent and approval to the payment of increased remuneration to Sri A. RAMMOHAN RAJA, Managing Director of the Company with effect from 1st June, 2008 on the following terms and conditions.

- | | | |
|--------------------------------|---|--|
| (a) Salary | : | Rs. 1,00,000/- per month including Dearness allowance. |
| (b) Commission and perquisites | : | Same as per the Original Agreement. |

By order of the Board,

Place : Rajapalayam

Date : 16-06-2008.

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 1.8.2008 to 10.08.2008 (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 11th August '08 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 31st July '08.
- (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.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF COMPANIES ACT, 1956**Item No. 5**

Sri P.K. Ramasubramanian was appointed Additional Director of the Company by the Board of Directors and his term of office expires at the ensuing Annual General Meeting. Sri P.K. Ramasubramanian, B.Sc., A.C.S., A.I.C.W.A. possesses vast and varied experience in the fields of Cost Accounting, Corporate law, Direct and Indirect Taxation.

He has held senior position in reputed Cement Companies. His association would immensely be advantageous to the company. He will be an Independent and Non-executive Director.

The Company has received a notice alongwith a Deposit of Rs. 500/- under the provisions of section 257 of the Companies Act, 1956 from a member signifying intention to propose the appointment of Sri P.K. Ramasubramanian as Director of the Company subject to retirement by rotation.

None of the Directors except Sri P.K. Ramasubramanian is interested in this item of business.

Item No. 6

Sri A. RAMMOHAN RAJA, the Managing Director of the Company was appointed as per the Resolution of the Members at the Annual General Meeting held on 31st August, 1994. He has been responsible for the development of the Company all these years. He is the pioneer in woven sack industry and due to his continuous efforts, the Company has established itself as one of the best 100% Export Oriented Units. As per the terms of contract, though he is eligible for 3% commission on the net profits, the same has not been paid to him. Considering the development and higher responsibilities, the Board of Directors at the meeting held on 16th June, 2008, have modified the terms and conditions in respect of the Salary by fixing it at Rs. 1,00,000/- per month. Except this there is no change in other terms and conditions of Appointment. The above is subject to the approval of the Shareholders of the Company. Hence the above Resolution.

None of the Directors except Sri A. RAMMOHAN RAJA, Sri R. RAMJI and Sri S.V. RAVI are concerned or interested in this item of business.

By order of the Board,

Place : Rajapalayam
Date : 16-06-2008.

P.S. RAMANATHAN
Secretary

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the Twenty Third Annual Report on the working of the Company and Audited Accounts for the year ended 31st March, 2008.

FINANCIAL RESULTS :

	Year ended 31.03.2008 Rs.	Year ended 31.03.2007 Rs.
Sales and other Income	35,74,57,857	34,87,60,032
Operating Profit (Profit before interest, Depreciation and Tax)	2,43,87,638	2,18,64,588
LESS : Interest	1,07,75,772	1,01,98,340
Profit before Depreciation and Tax	1,36,11,866	1,16,66,248
LESS : Depreciation	65,58,141	57,92,850
Profit before Tax	70,53,725	58,73,398
Surplus Brought forward from previous year	1,02,735	1,83,861
Add : Excess provision for Taxation withdrawn	-----	1,45,475
Add : Provision for Taxation - Deferred	3,50,000	85,000
	75,06,460	62,87,734
LESS : Provision for Taxation - Current	27,00,000	21,00,000
Provision for Fringe Benefit Tax	55,000	85,000
Profit available for appropriation	47,51,460	41,02,734

Your directors propose to appropriate the same as follows :

Proposed Dividend @ 7%	28,00,000	---- Nil ----
Tax on Proposed Dividend	4,75,860	---- Nil ----
Transfer to General Reserve	10,00,000	40,00,000
Balance carried over to Balance Sheet	4,75,600	1,02,734
	47,51,460	41,02,734

DIVIDEND :

Your Directors are pleased to recommend the payment of Dividend at 7%.

This Dividend is not taxable in the hands of the Members. However, Tax on the Dividend amounting to Rs. 4.76 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 31.03.2007	Year ended 31.03.2008	Increase Percentage
Production (Kgs)	30,51,443	30,88,021	1.20 %
Sales (Kgs)	30,66,853	31,44,498	2.53 %

The price of crude oil has increased manifold. As a consequent the price of PP Granules, the main raw material is also on the increase. The country is on a healthy economic growth but with higher inflation rate. All these factors contribute to the price increase of inputs and is likely to have an impact on the profitability. However, by the adoption of innovative methods for economic production and efficient marketing, the profitability is likely to be maintained.

Your Directors are therefore confident of improved performance and profitability for the ensuing years.

DEPOSITS :

The total amount of deposits as on 31st March, 2008 was Rs. 178.52 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. 1199.56 Lakhs. The foreign exchange earnings during the year is Rs. 3255.53 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 :

1. Sri S. Kalyanam resigned from the Board of Directors and the Board wishes to place on record his services to the Company.
2. Sri P.K. Ramasubramanian was appointed as an additional Director and his term expires at the ensuing Annual General Meeting. It is proposed to appoint him as Director at the ensuing meeting subject to retirement by rotation.
3. Sri S. Shankar and Sri S.V. Ravi, 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 Ltd., 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 : 16.06.2008

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 is 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, Corporate Law and Business.

The Board consists of Eight Directors:

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

Five Meetings of the Board of Directors of the Company was held during the year 2007-2008 on 30.04.07, 28.07.07, 31.08.07, 26.10.07 & 24.01.08

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

II. BRIEF RESUME OF THE DIRECTORS SEEKING REAPPOINTMENT :

Name of the Director	Sri S. Shankar		Sri S.V. Ravi	
Age (Years)	51		49	
Date of Appointment	06.07.2001		27.11.1992	
Expertise in specific functional area	Chartered Accountant and Management Consultant		Industrialist	
Qualification	F.C.A.,		B.A.,	
List of outside Directorship held	PUBLIC	PRIVATE	PUBLIC	PRIVATE
	---	2	1	2
Chairman / Member of the committee of the Board of Directors of the Company	Audit Committee (Member)		Audit Committee (Member)	
Chairman / Member of the committee of Directors of other Companies	NIL		NIL	

II. A. BRIEF RESUME OF THE DIRECTOR PROPOSED TO BE REAPPOINTED AT THE ANNUAL GENERAL MEETING :

Name of the Director	Sri P.K. Ramasubramanian	
Age (Years)	69	
Date of Appointment	24.01.2008 as Additional Director	
Expertise in specific functional area	Practising Company Secretary, Company Law & Cost Accounting	
Qualification	B.Sc., A.C.S., A.I.C.W.A.	
List of outside Directorship held	PUBLIC	PRIVATE
	---	--
Chairman / Member of the committee of the Board of Directors of the Company	Remuneration Committee (Member)	
Chairman / Member of the committee of Directors of other Companies	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 four times during the financial year on 30.04.07, 28.07.07, 26.10.07 & 24.01.08.

IV. 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 three times during the financial year on 30.04.07, 28.07.07 & 24.01.08.

No. of Shareholders queries / complaints received during 2007-08	- 63
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

V. REMUNERATION COMMITTEE :

A Remuneration Committee under the provisions of Schedule XIII of the Companies Act, 1956 and the Listing Agreement has been constituted with three Non-executive / Independent Directors, namely Sri K. Lakshmi Narayanan, Sri P.K. Ramaubramanian and Sri A. Thiruppathy Raja as members. Sri P.S. Ramanathan is the Secretary of the committee. Based on the approval accorded by the Remuneration Committee, the Board of Directors determine the Remuneration payable to the Managing Director which is subject to the approval of the shareholders.

VI. REMUNERATION OF DIRECTORS

- 1) Details of Remuneration paid to the Managing Director during the year 2007-08 are given below:

<u>Name and Designation</u>	<u>Salary & Perquisites</u> <u>(Rupees in Lakhs)</u>
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Sri A. RAMMOHAN RAJA, Managing Director	8.14
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No commission has been paid to the Managing Director, though he is eligible.

- 2) Sri R. Ramji, Joint Managing Director does not draw any remuneration.
- 3) The Non-Executive Directors do not draw any remuneration and no sitting fee has been paid for attending the meeting of the Board and Committee.

VII. DISCLOSURE OF SHAREHOLDING OF NON-EXECUTIVE DIRECTORS :

<u>Name of the Non-Executive Directors</u>	<u>No. of Shares</u>
1) Sri. K. LAKSHMI NARAYANAN	7,500
2) Sri. S.R. SUBRAMANIAN	24,100
3) Sri. P.K. RAMASUBRAMANIAN	3,000
4) Sri. A. THIRUPPATHY RAJA	500
5) Sri. S. SHANKAR	1,500
6) Sri. S.V. RAVI	6,300

VIII. DISCLOSURE OF RELATIONSHIP OF THE DIRECTORS :

Sri A. Rammohan Raja, Managing Director is the father of Sri R. Ramji, Joint Managing Director and Father-in-Law of Sri S.V. Ravi. Except this there is no other relationship among the Directors.