

# **POLYSPIN EXPORTS LTD**

(100% EXPORT ORIENTED UNIT)

**RAJAPALAYAM**



Twenty Fifth Annual Report and Balance Sheet  
as at 31<sup>st</sup> March 2010.

<b>BOARD OF DIRECTORS</b>	: SHRI A. RAMMOHAN RAJA, <i>Managing Director</i> SHRI K. LAKSHMINARAYANAN SHRI S.R. SUBRAMANIAN SHRI P.K. RAMASUBRAMANIAN SHRI A. THIRUPPATHY RAJA SHRI S. SHANKAR SHRI S.V. RAVI SHRI R. RAMJI, <i>Joint Managing Director</i>
<b>SECRETARY</b>	: SHRI P.S. RAMANATHAN B.Com., B.L., A.C.S.
<b>AUDITORS</b>	: M/s. KRISHNAN AND RAMAN, CHARTERED ACCOUNTANTS, RAJAPALAYAM.
<b>BANKERS</b>	: CITY UNION BANK LTD. RAJAPALAYAM
<b>REGISTERED OFFICE</b>	: 351, P.A.C.R. SALAI, RAJAPALAYAM - 626 117.
<b>FACTORY &amp; ADMINISTRATIVE OFFICE</b>	: 1, RAILWAY FEEDER ROAD, CHOLAPURAM SOUTH - 626 139. RAJAPALAYAM.
<b>LISTED STOCK EXCHANGE</b>	: MADRAS STOCK EXCHANGE, POST BOX NO. 183, 11, SECOND LINE BEACH, CHENNAI - 600 001.
<b>REGISTRAR &amp; TRANSFER AGENTS</b>	: 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

**DIRECTORS' REPORT****To the Members,**

Your Directors have pleasure in presenting the Twenty Fifth Annual Report on the working of the company and Audited Accounts for the year ended 31<sup>st</sup> March, 2010

**Financial Results**

	<b>Year ended 31.03.2010</b>	<b>Year ended 31.03.2009</b>
	<b>Rs.</b>	<b>Rs.</b>
Sales and other Income	<b>35,17,40,689</b>	38,63,25,598
=====	=====	=====
Operating Profit (Profit before interest, Depreciation and Tax)	<b>3,23,55,985</b>	2,86,82,853
LESS : Interest	<b>62,72,958</b>	83,05,374
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Profit before Depreciation and Tax	<b>2,60,83,027</b>	2,03,77,479
LESS : Depreciation	<b>71,51,151</b>	77,37,087
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Profit before Tax	<b>1,89,31,876</b>	1,26,40,392
Surplus Brought forward from previous year	<b>7,38,152</b>	4,75,600
Add : Provision for Tax-Deferred	<b>2,55,000</b>	4,58,000
	-----	-----
	<b>1,99,25,028</b>	1,35,73,992
Less: Provision for Taxation-Current	<b>92,00,000</b>	50,20,000
Provision for Fringe Benefit Tax	<b>---</b>	72,000
	-----	-----
Profit available for appropriation	<b>1,07,25,028</b>	84,81,992
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Your directors propose to appropriate the same as follows

Proposed Dividend	<b>40,00,000</b>	32,00,000
Tax on Proposed Dividend	<b>6,79,800</b>	5,43,840
Transfer to General Reserve	<b>40,00,000</b>	40,00,000
Balance carried over to Balance Sheet	<b>20,45,228</b>	7,38,152
	-----	-----
	<b>1,07,25,028</b>	84,81,992
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**DIVIDEND**

Your Directors are pleased to recommend the payment of Dividend at **Rs.1.00 per share on the face value of Rs.10/- per share.**

This Dividend is not taxable in the hands of the Members. However Tax on the Dividend amounting to Rs. 6.80 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 <u>31.03.2009</u>	Year ended <u>31.03.2010</u>
Production ( Kgs )	27,39,919	<b>26,29,906</b>
Sales ( Kgs )	27,44,272	<b>26,69,711</b>

The global recession having created the financial crisis has now come to a stage, which has revived economic activities. The experience has given us new directions and has made the Company to adopt ways and means to stabilize and grow positively and increase profitability. One such step has been the establishment of a Company in USA for logistics purpose. This has enabled the Company to effect better inventory control for economic marketing. The full impact will be reflected in the coming years.

The selling price of the company's products are directly linked to the price of raw materials. Consequently every reduction will be reflected in the selling price immediately. Due to the reduction in the raw material cost there has been a reduction in sales volume. However by the adoption of certain strategies, the company was able to realise higher profit.

**EXPANSION**

The Company is implementing an expansion programme involving an outlay of Rs. 8.00 Crores to produce the high quality tenacity yarn and Jumbo Bags in its existing plant at Cholapuram South. The Commercial Production in its new facility will commence shortly and the capacity will increase by 100% per annum. The full impact is likely to be reflected from the financial year 2011-12.

These investments have strengthened the Company's capability to deliver consistent product quality and significant savings in cost for our future operations.

Your Directors are confident of sustained performance and profitability in the ensuing years.

**AWARDS**

Your company has received the state Safety Award in recognition of the Best Safety Performance (Second Prize) for the year 2006 instituted by the office of the State Safety Planning Committee, Tamilnadu Government, Chennai.

**SUBSIDIARIES**

As required under the provisions of Sec. 212 of the Companies Act, 1956, the Compiled Accounts

together with Auditor's Report of the Subsidiary Company, Polyspin USA Inc is appended and forms part of the Annual Report.

### **DEPOSITS**

The total amount of deposits as on 31<sup>st</sup> March, 2010 was Rs.132.06 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.1521.44 Lakhs. The foreign exchange earnings during the year is Rs.3110.82 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. P.K. Ramasubramanian and Sri. A. Thiruppathy Raja, 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 : 26.7.2010

***R.RAMJI***  
*Joint Managing Director*

***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	2	1

Seven Meetings of the Board of Directors of the Company was held during the year 2009-2010 on 30.04.2009, 03.07.2009, 30.07.2009, 22.08.2009, 21.10.2009, 22.01.2010 and 26.02.2010.

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

## **II. BRIEF RESUME OF THE DIRECTORS SEEKING REAPPOINTMENT**

Name of the Director	Sri P.K. Ramasubramanian		Sri A. Thiruppathy Raja	
Age (Years)	71		62	
Date of Appointment	24.01.2008		06.07.2001	
Expertise in specific functional area	Practising Company Secretary, Company Law & Cost Accounting		Business	
Qualification	B.Sc., A.C.S., A.I.C.W.A.,		B.A.,	
List of outside Directorship held	PUBLIC	PRIVATE	PUBLIC	PRIVATE
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Chairman / Member of the Committee of the Board of Directors of the company	Remuneration Committee (Member)		Shareholders / Investors Grievance Committee (Member)	
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 30.04.2009, 03.07.2009, 30.07.2009, 21.10.2009 and 22.01.2010

## **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 five times during the financial year on 30.04.2009, 03.07.2009, 30.07.2009, 21.10.2009 and 22.01.2010

No. of shareholders queries/complaints received during 2009-10	-	67
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 the three Non-executive /



Independent Directors, namely Sri.K.Lakshmi Narayanan, Sri.P.K.Ramasubramanian and Sri.A.Thirupathy 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 2009-10 are given below :

<u>Name and Designation</u>	<u>Salary &amp; Perquisites</u> <u>( Rupees in Lakhs )</u>
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Sri.A.Rammohan Raja, Managing Director	13.15
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No Commission has been paid to the Managing Director, though he is eligible.

No Stock option is provided.

- 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**

Name of the Non-Executive Directors	No. of Shares
1) Sri. K. LAKSHMI NARAYANAN	7,500
2) Sri. S.R. SUBRAMANIAN	68,500
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.

## **IX. WHISTLE BLOWER POLICY**

A forum to enable the concerned personnel of the Company to report any deviation or other acts which are against the general code of conduct of personnel, business and other activities has been created.

## **X. RISK MANAGEMENT**

The Company has laid down a Risk Management Policy and Procedure to inform the Board Members about the Risk assessment and minimization process, which is a vigorous and active process for identification and mitigation of risks.

Audit committee as well as the Board of Directors have adopted the Risk Management Policy and the Audit Committee reviews the risk management and mitigation plan from time to time.

**XI. 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**

The companies in which the Non-executive Directors are holding the Directorship are considered Related parties as per Accounting Standard 18 issued by the Institute of Chartered Accountants of India and the transaction with such companies are disclosed in Note No.22 Point No.6 Notes forming part of the accounts.

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**

**XII. GENERAL BODY MEETING**

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

Date	Venue	Time
31.08.2007	Sri Arjuna Manthiram, Rajapalayam	9.30 A.M
11.08.2008	- do -	9.30 A.M
22.08.2009	- 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.

**XIII. 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 <sup>th</sup> to 31 <sup>st</sup> July
Unaudited results for the Second Quarter	-	15 <sup>th</sup> to 31 <sup>st</sup> October
Unaudited results for the Third Quarter	-	15 <sup>th</sup> to 31 <sup>st</sup> January
Unaudited results for the Fourth Quarter	-	15 <sup>th</sup> to 30 <sup>th</sup> April

**XIV. MANAGEMENT DISCUSSION AND ANALYSIS**

The matters that are required to be discussed as per the Listing Agreement in respect of Management Discussion and Analysis has been stated in the Directors Report.