



THE PRAG BOSIMI SYNTHETICS LIMITED

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**16TH ANNUAL REPORT
2003 - 2005**

THE PRAG BOSIMI SYNTHETICS LIMITED

BOARD OF DIRECTORS

Shri Niraj Verma, IAS
Chairman
(w.e.f. 18.06.2005)

Shri H. K. Sharma, IAS
Chairman
(Upto 18.06.2005)

Shri Hemant B. Vyas
Managing Director

Shri Devang H. Vyas
Executive Director

Shri Samir Kumar Saha
Director, Finance

DIRECTORS

Shri B. H. Bachkaniwala

Shri Pritipal Singh
Nominee, IDBI

Shri M. K. Datta
Nominee, LIC

Shri Deepak Ghosh
Nominee, IFCI
(w.e.f. 05.06.2004)

Shri Ganga Charan
Nominee, IFCI
(upto 05.06.2004)

Shri Deviinder Gupta
Nominee, ICICI Bank

Dr. M. K. Sinha

Shri M. K. Das

Shri Girindra Mohan Das
(w.e.f. 20.11.2004)

SECRETARY

Shri Jagdish B. Mehta

BANKERS

State Bank of India
Allahabad Bank
Bank of Baroda
Central Bank of India
UCO Bank

AUDITORS

H. Khaund & Co.
Chartered Accountants
Guwahati.

REGISTERED OFFICE

Rangpur,
R. G. Barua Road,
Guwahati 781 005
Assam.

PLANT

Bijulibari Village,
P.O. Khandajan,
Via Sipajhar,
Dist. Darrang 784 145

HEAD OFFICE

R-79/83, Laxmi Insurance Building,
5th Floor, Sir P. M. Road,
Mumbai 400 001.

REGISTRARS & SHARE TRANSFER AGENTS

Sharex Dynamic (India) Private Limited
17/B, Dena Bank Building,
2nd Floor, Horniman Circle,
Fort, Mumbai 400 001.

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NOTICE

Notice is hereby given that the 16th Annual General Meeting of The Prag Bosimi Synthetics Limited will be held at 4.00 p.m. on Wednesday the 28th September 2005 at Hotel Brahmputra Ashoka, Uzan Bazar, M. G. Road, Guwahati 781 003 to transact the following business:

ORDINARY BUSINESS:

- (1) To receive, consider and adopt the Audited Profit & Loss Account for the eighteen months period ended 31st March 2005 and Balance Sheet as at that date and the Reports of Directors and Auditors thereon.
- (2) To appoint a Director in place of Shri M.K. Das who retires by rotation and being eligible offers himself for re-appointment.
- (3) To appoint a Director in place of Dr. M. K. Sinha who retires by rotation and being eligible offers himself for re-appointment.
- (4) To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of section 224A of the Companies Act, 1956 M/s. H. Khaund & Co., Chartered Accountants, the retiring Auditors of the Company, be and they are hereby reappointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting on a remuneration as may be mutually agreed upon between the Board of Directors of the Company and the Auditors, plus traveling, living and out of pocket expenses actually incurred by the Auditors in connection with the audit work."

SPECIAL BUSINESS:

- (5) To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Shri Girindra Mohan Das who was appointed as an Additional Director of the Company with effect from 20th November 2004 and who holds office upto the date of this Annual General Meeting be and is hereby appointed as a Director of the Company".

- (6) To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to fix and pay the sitting fees for attending meetings of the Board of Directors and /or committee thereof to the non executive directors (including independent directors) within limits as prescribed by the Central Government under provisions of section 310 of the Companies Act 1956."

- (7) To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

"RESOLVED THAT approval of members be and is hereby accorded to get the equity shares of the Company delisted from Delhi Stock Exchange Association Limited; The Stock Exchange, Ahmedabad; and Calcutta Stock Exchange Association Limited."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, deeds,

matters and things as may be necessary or expedient for giving effect to the above resolution without being required to seek any further approval of the members to give effect to this resolution and to do all other matters, ancillary and consequential thereto."

By Order of the Board,

Guwahati

Date: 14th August 2005

Jagdish B.Mehta

Company Secretary

Notes:

1. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday 22nd September 2005 to Wednesday 28th September 2005 (Both days inclusive)
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE (ON A POLL) INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
3. Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 relating to Item No.4 to 7 of the notice is annexed hereto.
4. Details under clause 49 of the Listing Agreement with Stock Exchanges in respect of Directors seeking appointment/re-appointment at the Annual General Meeting are separately annexed hereto.

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956 FORMING PART OF THE NOTICE DATED 14th AUGUST 2005.

Item No. 4:

Section 224A of the Companies Act 1956, provides for the appointment or reappointment at each Annual General Meeting of an auditor or auditors of a Company by a Special Resolution, if the Company is one in which not less than 25% of its subscribed share capital is held singly or in any combination thereof, by the Public Financial Institutions, Government Companies etc.

The holdings of the aforesaid companies and institutions in the Company exceed 25 per cent of its subscribed share capital and hence the re-appointment of Messrs H.Khaund & Co. retiring Auditors of the Company is required to be made by a Special Resolution. As required under section 224 of the Act, certificate has been received from them to the effect that their appointment, if made, will be in accordance with the limits specified in section 224(1B) of the Act. The Shareholders' approval is also being sought to authorise the Board of Directors to determine the remuneration payable to the Auditors in consultation with them.

Item No. 5:

Shri Girindra Mohan Das was appointed as an Additional Director of the Company on 20th November 2004 under article 114 of the Articles of Association of the Company read with section 260 of the Companies Act, 1956.

Shri Girindra Mohan Das holds office of Director upto the

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date of the forthcoming Annual General Meeting under article 114 of the Articles of Association of the Company read with section 260 of the Companies Act, 1956. The Company has received a notice from a member as required under section 257 of the Companies Act, 1956 proposing Shri Girindra Mohan Das as a candidate for the office of Director.

Shri Girindra Mohan Das is a B.E. (Electrical) from Guwahati University. Shri Girindra Mohan Das has retired as Chief Engineer (T & T) from Assam State Electricity Board after rendering continuous service for 35 years. The Board considers it desirable that the Company should continue to avail itself of the services of Shri Girindra Mohan Das as a Director and accordingly commends the Resolution for approval by the members. (For details of Shri Girindra Mohan Das, please see note below, item No.7)

Since this resolution concerns the appointment of Shri Girindra Mohan Das as a Director of the Company he is deemed to be interested in the resolution.

Item No. 6:

The Clause 49 of the Listing Agreement prescribes the norms of corporate governance. This clause has been amended by the Securities and Exchange Board of India in respect of remuneration of non executive directors. The amendment provides that fees/commission can be paid to non executive directors (including independent directors) only after prior approval of shareholders in general meeting.

Pursuant to Rule 10-B of the Companies (Central Government's) General Rules and Forms, 1956 your Company can pay up to Rs.20000/- by way of sitting fees to the directors.

The resolution is proposed to authorize Board of Directors to fix and pay the sitting fees within the limits prescribed under the said Rule 10-B.

The Company is presently paying sitting fees of Rs.1000 for

every meeting of the board or subcommittee of the board attended by non- executive directors who are not promoters.

The said resolution is proposed to comply with the amendment in clause 49 of the listing agreement.

Since Shri B.H. Bachkaniwala, Dr. M. K. Sinha and Shri M.K. Datta are paid sitting fees for board and committee meetings attended by them, they are deemed to be interested in the resolution. Shri Niraj Verma IAS, Shri M.K. Das, Shri Pritpal Singh, Shri Deepak Ghosh and Shri Deviinder Gupta are nominee directors and sitting fees for meetings attended by them are paid to the institutions nominating them, hence they are deemed to be interested in the resolution to the extent institutions nominating them will get the sitting fees for meetings attended by them.

Item No.7:

Presently equity shares of the Company are listed on The Stock Exchange Mumbai; Delhi Stock Exchange Association Limited; The Stock Exchange, Ahmedabad; Calcutta Stock Exchange Association Limited and The Gauhati Stock Exchange Limited.

As trading in the shares of the Company at stock exchanges other than Mumbai Stock Exchange is negligible, it is proposed to get the shares de-listed from Delhi Stock Exchange Association Limited; The Stock Exchange, Ahmedabad; and Calcutta Stock Exchange Association Limited. Your approval is sought to the proposal by a Special resolution as required by SEBI (Delisting of Securities) Guidelines 2003. The proposed delisting of shares from these stock exchanges is not prejudicial to the interest of the investors as the Company's shares will remain listed on Mumbai Stock Exchange which has trading terminals in various cities allowing the investors convenient access to trade and deal in Company's shares through out the country. The Company's shares are mandated by SEBI for compulsory trading in demat form by all investors.

Details of the Directors seeking appointment/reappointment in Annual General Meeting fixed on 28th September 2005.

Name of the Director	Dr.M.K.Sinha	Shri M.K.Das	Shri Girindra Mohan Das
Date of Birth	2-09-1935	10.09.1946	01.01.1947
Date of Appointment	29-03-1998	03.07.2000	20.11.2004
Expertise in specific functional area	Banking	Management	Engineering
Qualification	Doctorate in Mathematics. Fellow of the Indian Institute of Bankers.	B.Tech;M.B.A	B.E (Electrical)
Experience in No. of Years	42	34	36
List of outside directorship held	2	3	Nil
Chairman/ member of the committee of the Board of Directors of the Company	3	1	Nil
Chairman/member of the Committee of Directors of other Companies.	Nil	Nil	Nil

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DIRECTORS' REPORT

Your Directors have great pleasure in presenting their sixteenth annual report together with audited statement of account of your Company for the 18 months period ended on 31st March 2005. The performance of the Company is summarized below

	(Rupees in Crores)	
	18 months ended 31st March 2005	18 months ended 30th September 2003
Gross Turnover	245.36	144.38
Turnover net of Excise Duty	195.26	108.69
Profit before Depreciation Interest and Taxation	13.91	14.81
Less: Interest	9.64	7.58
Less: Depreciation	5.48	5.24
(Loss)/Profit after Depreciation, interest and taxation	(1.21)	1.99
(Add)/Less Expenses of prior years.	(0.20)	0.17
(Loss) Profit for the period	(1.41)	1.82
(Add)/Less Loss Brought forward from the Previous year	(39.21)	41.03
Total Loss carried Forward to next year	40.62	39.21

OPERATIONS

Your Directors are pleased to report that sales performance during the period under review shows marked improvement over comparable period of last year, as sales were Rs. 245.36 crores compared to sales of Rs. 144.38 crores during the previous period. The Company made a loss of Rs. 1.41 crores during the period under review compared to profit of Rs. 1.82 crores during the previous period. Notwithstanding the increase in volume of production, profitability could not be maintained due to unprecedented rise in prices of petro-based raw materials consequent to flare up in the prices of crude oil in the international market as is well known.

The year in retrospect was a difficult year for the industries using petroleum-based products as input. The raw material prices were increasing continuously. This increase in raw material prices could not be fully passed on to customers because the POY faces competition from nylon yarn, viscose yarn and cotton yarn.. This has created pressure on margin in case of POY. Supply of Cotton yarn was abundant due to two successive bumper crops which is abnormal. This situation of continuous bumper crops of cotton is very unlikely to continue. Reduction in excise duty from 36% to 24% has also reduced profitability. In view of the loss incurred during the period and brought forward losses of earlier years, your Directors' regret their inability to declare any dividend for the period under review.

PROSPECTS

The Company has installed and is still installing further balancing equipment in its spinning plant to debottleneck the same to align its production capacity to polymerization capability, which is 45000 TPA. This has enabled the Company to expand its capacity from 25,000TPA to 36,000TPA. By the end of the next financial year the capacity would reach 45,000 TPA. In view of booming textile sector and to reap the advantages of the North East Industrial Policy, Company has plans of aggressively expanding its

capacity further to take it to 100,000 TPA over the next three years. The Company expects to perform much better in the current year with continuous increase in its production. To counter the impact of high crude oil prices, in the meantime, your Company will continue to remain intensely focused on improving operational efficiencies, product mix and enlarging the area of its operations in the market place.

POWER

As a result of completion of 132 KV transmission line, the Company's dependence on high cost power from Diesel Generating Sets has reduced.

EXTENSION OF ACCOUNTING YEAR

The accounting year of the Company was changed with necessary approval to cover a period of 18 months from 1st October 2003 to 31st March 2005.

FINANCE

The Company faced many problems in completing the project in Assam. Corporate Restructuring Cell of Industrial Development Bank of India has approved a corporate debt-restructuring (CDR) package for your Company, vide letter No. BY.CDR (KS)/1599, Dated March 1, 2005 the broad details of which are as under:

1. Cut Off Date: 30th September 2004
2. Due Dates for payment of interest and principal will be first day of every month.
3. Interest on term loans, non convertible debentures, (rupee term loans, rupee tied foreign currency loan, ERAS loans) to be reduced to give yield rate of 8% p.a on a ballooning basis as under

F.Y.	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
ROI	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	14%	14%

4. Interest /dividend on preference shares to be deferred upto 30th September 2005. Interest payment for October 2005 to start from 1st November 2005.
5. Proposed deferred interest, existing deferred funded interest /accumulated dividend to carry 0% interest and repayment will start after 2017.
6. Repayment schedule /treatment for the proposed deferred interest, existing deferred /funded interest (including amounts converted by IFCI, ICICI Bank into various instruments), accumulated dividend, to be decided after a review at a later date based on OTS accepted by lenders and available cash flows,
7. Repayment of term loans (R.T.L, rupee tied term loans E.R.A.S loans, N.C. Ds) in 120 equal monthly installments commencing from 1st April 2007
8. Coupon rate on Redeemable Cumulative Convertible Preference Shares and Cumulative Convertible Preference Shares out of cash disbursements to be reduced to 0.01 % per annum and to be redeemed after repayment of term loans. Redemption schedule to be fixed afterwards. Term lenders will have option to convert the preference shares into equity shares of the Company at a later date.
9. As and when the Company reaches agreement with the lenders for one time settlement the Monitoring committee of lenders would examine the Company's request and if found suitable recommend the same to Corporate Debt Restructuring Empowered Group.

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Since the CDR package was decided before presentation of Union Budget 2005, which has reduced the excise incentive, the Company has requested for amendment of CDR package. Though the repayment of accumulated interest will start after 2017 and is at 0% interest, the Company has taken up with CDR forum the matter of complete waiver of accumulated interest, since this interest is attributable to time overrun arising solely due to reasons beyond the control of management. CDR package allows the Company to make one time settlement with the lenders. The Company proposes to make one time settlement with all the lenders to reduce its debt to viable levels and reduce interest outgo. The Company has received offer for waiver of interest and reduction in principal from some lenders.

Members are aware that Indian economy is developing very fast and floodgates of foreign investment have opened resulting into availability of low cost funds for investment in India. Your Company also plans to raise low cost finance for expansion of capacity and for implementation of debt restructuring package as stated earlier. The Company is weighing various options for the same.

WORKING CAPITAL

The CDR forum has directed consortium of banks financing working capital to sanction need based working capital and charge interest @8 % per annum from 1st October 2004. Interest on working capital term loan is deferred up to 30th September 2005 and interest payment will start from 1st November 2005. Repayment of working capital term loan would be in 120 equal monthly installments commencing from 1st April 2007. Funded interest term loan will carry 0% interest and repayment schedule will be decided later.

Under directive of Corporate Debt Restructuring Cell, State Bank of India and other banks have sanctioned need-based working capital to the Company. On release of full working capital the Company will step up production further.

AUDITORS' REPORT

Your directors give full explanations for various qualifications set out in Auditors' Report in Annexure B to this Report.

CAPITALIZATION OF PROJECT COST

Auditors of the Company in their Audit Report on the accounts for the period ended 31st March 2005 have inter alia continued to comment upon non provision of depreciation on certain plant and machinery and on non- capitalization of interest and related preoperative expenses.

In this connection, the Company has been advised that such continued non provision of depreciation and non capitalization of interest on loans and related preoperative expenses on the part of the Company is well within the legal position in this behalf including the provision of section 205 of the Companies Act 1956 since the Company has not proposed declaration or payment of any dividend.

The Board has been advised that in view of the Company's efforts to renegotiate with various financial term lending institutions the rate of interest and re-schedulement of its outstanding loans including waiver, reliefs, deferment of repayment of installments the quantum of such interest and resultant final loan liability are still not ascertainable at present justifying its non provision in these accounts.

Similarly, the Company is also advised that capitalization of preoperative capital work in progress amount can wait till full stabilization of its plants and amicable settlement of its

negotiations with the lending institutions and crystallization of final amount of interest and principal payable to them.

DIRECTORS

Assam Industrial Development Corporation has nominated Shri Niraj Verma, IAS in place of Shri H.K. Sharma, IAS as Chairman of the Company w. e. f 18th June 2005. The IFCL Limited nominated Shri Deepak Ghosh, Deputy General Manager as its nominee director in place of Shri Ganga Charan w.e.f. 5th June 2004. The Board has placed on record the appreciation of invaluable services rendered to the Company by Shri H.K. Sharma, IAS and Shri Ganga Charan during their tenure.

In accordance with the Articles of Association of your Company, Dr. M. K. Sinha and Shri M.K. Das retire by rotation but being eligible offer themselves for reappointment.

Shri Girindra Mohan Das was appointed as an Additional Director at the Board meeting held on 20th November 2004. Shri Girindra Mohan Das holds office as such up to the forthcoming annual general meeting under article 114 read with section 260 of the Companies Act 1956. Shri Girindra Mohan Das is an Electrical Engineer and a former Chief Engineer of Assam State Electricity Board. His services will be useful to the Company. A resolution is proposed for his appointment as a Director. Your Directors commend the resolution for your approval.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors hereby confirm that:

- in the preparation of statement of accounts, the applicable accounting standards have been followed, unless otherwise stated.
- the Directors have selected such accounting policies and applied them consistently and made judgments 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 profit or loss of the Company for the period.
- the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.
- the Directors have prepared the accounts on a going concern basis.

CORPORATE GOVERNANCE

The Company has taken steps to comply with the mandatory provisions of clause 49 of the Listing Agreement and a separate report on Corporate Governance is enclosed.

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis forming part of this report is given separately.

FIXED DEPOSITS

The Company has not accepted/ invited any deposits from public.

PERSONNEL

None of the employees of the Company was in receipt of remuneration exceeding the limits prescribed under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975.

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CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO

The information required under section 217(1)(e) of the Companies Act 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, and foreign exchange earnings and outgo is given in Annexure forming part of this report.

AUDITORS

M/s. H.Khaund & Co., Chartered Accountants, Auditors of the Company will retire at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-appointment. The Company has received a certificate from Auditors to the effect that their re-appointment, if made, would be in accordance with Section 224(1B) of the Companies Act, 1956. The Board recommends their re-appointment.

APPRECIATION

Your Directors take this opportunity to offer their sincere thanks to the Government of India, Government of Assam, AIDC, IDBI, ICICI Bank Ltd, IFCI Ltd, LIC, UTI, GIC and its subsidiaries, SBI, NEDFi, Allahabad Bank, Bank of Baroda, Central Bank of India, Uco Bank, North East Frontier Railways and our valued investors for their unstinted support and assistance and look forward to their continuing support and encouragement for a brighter tomorrow and a ushering in of rapid economic development of Assam and North East region.

Your Directors also wish to place on record deep appreciation of the dedicated and sincere efforts put in by the employees of the Company at all levels.

On behalf of the Board

Guwahati

Date : 14th August, 2005

Niraj Verma IAS

Chairman

ANNEXURE TO THE DIRECTORS' REPORT
ANNEXURE - 'A' CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS/OUTGO:

FORM A**(A) POWER AND FUEL CONSUMPTION**

Particulars	CURRENT PERIOD	PREVIOUS PERIOD
1. Electricity:		
<i>Purchased:</i>		
(a) No of Units	21415320	13106940
(b) Total Amount (Rs.)	86428931	54469997
(c) Rate/Unit (Rs.)	4.04	4.16
<i>Own Generation: Through Diesel generators</i>		
(a) No. Of Units:	15109642	14729086
(b) Unit per litre of Diesel	3.62	3.31
(c) Cost/Unit (Rs.)	5.65	5.11
2. Furnace Oil:		
Quantity (KL)	6585.454	2946.377
Total Amount (Rs.)	106336960	46419947
Average Rate (Rs)	16054.43	15754.92
3. Steam:		
Quantity in Tons:	46770.337	44848.49
Total Cost: (Rs.)	60299347	58447299
Rate per Ton (Rs)	1289.26	1303.22
Consumption per unit of production		
Electricity per K.G. Yarn in No of Units	1.30	1.56
Furnace Oil (Litre)	00.13	00.17
Steam in K.G. per K.G of Yarn	1.67	2.50

STEPS TAKEN FOR ENERGY CONSERVATION:

- I. Reduction in air conditioning load by utilizing return air and duct modification.
- II. Reduction in lighting load by energy efficient ballasts and tubes.
- III. Initiating steps for utilization of existing thermic fluid heating instead of electrical heating.
- IV. Improvement in insulation to cut thermal losses.
- V. The Company has formed energy conservation committees to ensure that energy consumption of various equipments is as per norms of equipments suppliers/technical collaborator.

B. TECHNOLOGY ABSORPTION:

The technology in respect of already commissioned divisions i.e. direct spinning, extruder spinning of PCY, batch polycondensation, chips production, textile division i.e. texturising, twisting and dying of yarn is fully absorbed.

C. RESEARCH & DEVELOPMENT:

A full-fledged laboratory having state of the art instruments and equipment has been established for effective product development, technology up-gradation etc.

D. FOREIGN EXCHANGE EARNINGS/OUTGO:

Particulars	Current Period (Rupees)	Previous Period (Rupees)
Foreign Exchange Earnings	Nil	Nil
Foreign exchange Outgo		
Capital Goods	40576501	3677922
Stores, spares and consumables	17428091	11442224
Others	2289851	3095314

For and on behalf of the Board.

Guwahati

Date: 14th August 2005

Niraj Verma, IAS

Chairman

THE PRAG BOSIMI SYNTHETICS LIMITED**ANNEXURE "B" TO DIRECTORS' REPORT
EXPLANATIONS AND INFORMATION ON QUALIFICATIONS IN AUDITORS' REPORT**

Para No.	Explanations
4(i)	The depreciation was not provided on three extrusion spinning lines for the period of intermittent running as in this period there were negligible operations.
4(ii)	Please refer to Directors' Report para " Capitalization of project cost".
4(iii)	As a measure of conservative accounting policy interest on call money in arrears will be accounted on receipt basis.
4(iv)	The Company is in constant touch with financial institutions.
4(v)	The Company has recovered a part of the amount and is confident of recovery of the balance..
4(vi)	The Company is recovering deposits ,advances and is confident of recovering the balance..
4(viii)	Reconciliation of accounts is an ongoing process with the suppliers and customers.

Annexure

Para 9(a) There was some delay in payment of statutory dues because the Company was operating at low capacity utilization. The Company has cleared substantial amount of statutory dues and the balance will be cleared shortly.

For and on behalf of the Board.

Guwahati

Date: 14th August 2005

Niraj Verma,IAS
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

All over the world polyester is a fibre of choice on account of its versatility, durability, and cost competitiveness. It is replacing slowly and surely the natural fibres. Therefore there is vast scope for growth in this industry. The Government is also encouraging this industry because it fulfills one of the basic human needs, that is need for clothing. Though there are many fibres from which clothing can be made the preference for polyester is on account of its versatility, durability, and cost competitiveness.

There is tremendous scope for growth of polyester industry in our country because our per capita consumption is 1.4 Kg against world average of about 3 Kg. The demand for polyester will increase on account of increase in per capita consumption due to improvement in standard of living, new applications of polyester fibre and yarn in technical textiles and increased exports of garments as a consequence of dismantling of quota regime and opening up of world trade in free trade era. It is expected that India would play a major role in global textile and clothing trade in the free trade era. Polyester staple Fibre and Polyester Filament yarn are expected to grow by 6%-8 % in the near future. The Government follows policies beneficial to the textile industry because of its capacity for employment generation and need for providing cheaper clothing material to the public. The Government of India has reduced excise duty on polyester filament yarn by 8% and customs duty on polyester and its raw materials by 5% to 15% .The Government has also provided capital subsidy to processing sector, a sector that is considered the weakest link in the entire textile chain. It has also reduced customs duty on selected textile machinery from 20% to 10%. These measures will encourage investment in textile industry.

Ongoing textile boom is an opportunity for your Company to exploit. Hence, the Company has expanded its production capacity from 25000 TPA to 36000 TPA by now and the same will go up to 45000 TPA by the year end. The Company is planning to further expand the capacity to 100000 TPA in due course. This expansion will enable the Company to take maximum benefit of package of incentives for Northeast. Presently the Company is eligible for following incentives:

1. Excise Duty is refundable
2. 10 year Income Tax holiday
3. There is a Transport Subsidy on Freight on raw materials and finished goods.
4. One time subsidy of 15% of the investment in plant and machinery.
5. Interest subsidy of 3% on the working capital finance.
6. 100 % Subsidy for comprehensive insurance premium on assets of the Company for ten years.
7. No state sales tax and municipal tax
8. Free laying of dedicated 132KV power line and concessional power tariff.

These incentives make PBSL competitive in relation to other units in the polyester industry and mitigate the hardships peculiar to its location. The Company's plant is situated in remote area of the Northeast where the infrastructure is inadequate. Transport Subsidy mitigates the expense in transporting goods to and from the Plant.

The Company's products have an opportunity to tap the large and emerging textile-consuming centres of UP, Bihar and Punjab as well as more than 15 lakh handloom sector in Assam which is traditionally a weaving society. The proximity of Assam to Bangladesh, Nepal and Bhutan will allow PBSL to reap full advantage of the SAARC treaties on trade.

Your Company is granted a Corporate Debt Restructuring (CDR) package under which the Company will have to pay nominal interest on its borrowing. Under the Corporate Debt Restructuring package the Company will be free to settle the dues with its lenders by making one time payment. CDR package will enable the Company to reduce liabilities and expansion of capacity will enable it to increase profitability. The Company has made a plea for waiver of accumulated interest to CDR forum since accumulated interest is attributable to time overrun, which arose because of factors beyond the control of management. This will help the management in value creation for its shareholders.

Yours being the only large unit of its kind in the Northeast committed to industrial growth in Assam your Directors are leaving no stone unturned to make the unit more and more

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viable. Accordingly the production capacity is expanded at nominal cost as mentioned above. The Prag Bosimi Synthetics Limited (PBSL) occupies a unique place in the Polyester industry because of its location in the Northeast. PBSL is located in a backward area in the state of Assam. PBSL's mission is development of textile industry in the northeast, supply of yarns to the power looms and handlooms, generation of gainful employment for the people of Assam and promotion of all round industrial development of Assam.

Your Company is fortunate to enjoy the support of Assam Government and AIDC and their help in solving pressing problems of the Company like 132 KV power supply.

With the support of banks for working capital under directive of CDR cell, expansion of capacity and growth in demand

for polyester your Directors are confident of generating reasonable returns on your investment.

Internal control systems and their adequacy:

Over a period of years the Company has developed its own internal controls to meet the needs of the growing organization. Qualified professionals in the technical, financial, marketing and commercial functions at plant and corporate offices ensure that best practices and methods are regularly reviewed, adapted and followed. As the need may arise with the rapid growth of production, the Company is taking assistance of outside professionals for meeting its needs.

For & on behalf of the Board

Guwahati
Dated :14th August 2005

Niraj Verma, IAS
Chairman

REPORT ON CORPORATE GOVERNANCE

Management Philosophy

Your Company's vision is far reaching befitting its status as a joint sector undertaking promoted for rapid industrial development of the state by the Government of Assam through Assam Industrial Development Corporation. PBSL is a pioneering unit of its type in the Northeast and corporate vision is to act as a nucleus for development of textile related industries in this region. PBSL is committed to catalyzing industrial growth in Assam by providing impetus and foundation for downstream, ancillary and related industries, which will boost employment and entrepreneurship. Corporate actions will optimize the interest of all stakeholders - shareholders, customers, employees, suppliers and society

at large. The Company has complied with stipulations laid down in clause 49 of the Listing Agreement as stated below.

Board of Directors:

Composition of the Board

The Company's Board of Directors is broad based, and meets the composition criteria. As on March 31, 2005, the PBSL Board consists of twelve Directors, three of whom, including Managing Director are whole-time executive Directors. The remaining nine Directors are non-executive Directors, out of nine Non Executive Directors seven are nominee Directors and eight of them are independent Directors. The composition of the Board of Directors during the year ended 31st March 2005 was as under:-

Sr. No.	Name of Director	Category	Board meetings attended during the year	Whether attended last AGM	Directorships held in other Public companies incorporated in India.
1	Shri H.K. Sharma, IAS,	Chairman, Nominee of AIDC- the Promoter, Non Executive & Independent Director	6	Yes	12
2	Shri. Hemant B. Vyas, *	Managing Director & whole time Director- Promoter of the Company	6	Yes	—
3	Shri Devang H. Vyas, *	Whole time Director	6	Yes	—
4	Shri Samir Kumar Saha	Whole time Director	5	Yes	—
5	Shri B.H. Bachkaniwala	Non Executive Director & Promoter of the Company	1	No	1
6	Shri Pritipal Singh	IDBI Nominee Non Executive Director & Independent Director	6	No	—
7	Shri Deepak Ghosh (b)	IFCI Nominee Non Executive Director & Independent Director	3	No	2
8	Shri Ganga Charan (b)	IFCI Nominee Non Executive Director & Independent Director	2	No	2
9	Shri Deviinder Gupta (a)	ICICI Bank Nominee. Non Executive Director and Independent Director	2	No	4
10	Shri. M.K. Das	Nominee-AIDC-promoter of the Company.	5	Yes	2
11	Dr. M.K. Sinha	Non Executive Director & Independent Director	2	No	2
12	Shri M. K. Datta	LIC Nominee. Non Executive Director and Independent Director	4	No	—
13	Shri Satish Kumar	ICICI Bank Nominee. Non Executive Director and Independent Director	0	No	—
14	Shri Girindra Mohan Das (c)	Nominee- Assam State Electricity Board-Non Executive & Independent Director	1	No	—

During the year, 6 meetings of directors were held.