



THE PRAG BOSIMI SYNTHETICS LIMITED



17th Annual Report

2005 – 2006

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

Shri Deviinder Gupta
Nominee, ICICI Bank
(Upto 19.01.2006)

Shri L.Govind
Nominee, ICICI Bank
(From 19.01.2006 to 28.06.2006)

Dr. M.K.Sinha

Shri M.K.Das

Shri Girindra Mohan Das

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.

ANNUAL REPORT 2005 - 2006**NOTICE**

Notice is hereby given that the 17th Annual General Meeting of The Prag Bosimi Synthetics Limited will be held at 4.00 p.m. on Friday the 30th day of March 2007 at Hotel Landmark, Dr. R.B.Barooah Road, Ulubari, Guwahati 781 007 to transact the following business:

ORDINARY BUSINESS:

- (1) To receive, consider and adopt the Audited Profit & Loss Account for the eighteen months period ended 30th September 2006 and Balance Sheet as at that date and the Report of Directors and Auditors thereon.
- (2) To appoint a Director in place of Shri B.H.Bachkaniwala who retires by rotation and being eligible offers himself for re-appointment.
- (3) 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 & Company, 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:

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

RESOLVED THAT Shri Niraj Verma, IAS, who was appointed in the casual vacancy caused by withdrawal of nomination of Shri H.K.Sharma, IAS by the Assam Industrial Development Corporation Limited (AIDC) with effect from 18th June 2005 and who holds office upto the date of this annual general meeting be and is hereby appointed as a Director of the Company.
- (5) To consider and if thought fit, to pass with or without modification, the following resolution as a Special resolution:

"RESOLVED THAT pursuant to the provision of section 269, read with schedule XIII and other applicable provisions if any of the Companies Act 1956 and subject to such approvals as may be necessary, Shri Hemant B.Vyas be and is reappointed as Managing Director effective from 28th May 2007 on the following terms and conditions:

 - a. Period of Employment : 28.05.2007 to 27.05.2010
 - b. Basic Salary : Rs.1, 25,000/-p.m.

In addition to salary, the Managing Director will be entitled to following perquisites and allowances.
 - c. Provision of Housing : Cost not exceeding 60% of Accommodation or House Rent Allowance in lieu thereof
 - d. Reimbursement of electricity charges, gas bills: : 10% of the basic salary.
 - e. Reimbursement of Medical Expenses/ Medical Insurance for Managing Director and his family : Upto 1 month's Basic Salary p.a. or three months salary in a period of three years.
 - f. Leave Travel Allowance : Upto 1 month's Basic Salary p.a. for Managing Director and his family
 - g. Accident Insurance : Premium upto Rs.5000/- Premium

- h. Club fees : Annual subscription for upto two clubs. Life membership fees excluded.
 - i. Entertainment Expenses : For Company's guests
- For the purpose of calculating the above ceiling, perquisites and allowances shall be evaluated as per Income Tax Rules, wherever applicable. In the absence of any such rules, perquisites and allowances shall be evaluated at actual cost to the Company.
- Provision of Company's Car with Driver for official duties and telephone at residence shall not be included in computation of perquisites and allowances for the purpose of calculating the above ceiling.
- j. Gratuity : 15 days' salary for every completed year of service after completion of five years' continuous service.
 - k. Earned Leave : 30 days for every 11 months' service Unavailed leave to be encashed.

Where in any financial year, during the currency of the tenure of the Managing Director, the Company has no profits or its profits are inadequate, the Company will pay the above remuneration as minimum remuneration. The above remuneration is in accordance with the ceiling provided under Schedule XIII of the Companies Act, 1956. The terms and conditions of the said appointment and / or Agreement may be altered and varied from time to time by the Board as it may, in its discretion, deem fit within the maximum amount payable to Shri Hemant B. Vyas in accordance with Schedule XIII to the Act or any amendments made hereafter in this regard.

RESOLVED Further that above remuneration will be effective from 28.05.2007 .

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

RESOLVED THAT pursuant to the provision of section 269, read with schedule XIII and other applicable provisions if any of the Companies Act 1956 and subject to such approvals as may be necessary, Shri Devang H.Vyas be and is hereby reappointed as Executive Director effective from 3rd July 2006 on the following terms and conditions:

 - a. Period of Employment : 3rd July, 2006 to 2nd July, 2009
 - b. Basic Salary : Rs.1, 00,000/-p.m.

In addition to salary, the Executive Director will be entitled to the following perquisites and allowances, which will be subject to a maximum of 125% of his annual salary.
 - c. Free Furnished Accommodation or House Rent Allowance in lieu thereof : At cost not exceeding 60% of the salary
 - d. Reimbursement of electricity charges, gas bills : Not exceeding 10% of the basic salary.
 - e. Reimbursement of Medical Expenses/ Medical Insurance for Executive Director and his family : Upto 1 month's Basic Salary p.a. or three months salary in a period of three years.
 - f. Leave Travel Allowance : Upto 1 month's Basic Salary p.a. for Executive Director and his family
 - g. Children's Education Allowance : Rs.2, 400/- p.a.
 - h. Accident Insurance : Premium upto Rs.5000/- Premium
 - i. Club fees : Annual subscription for upto two clubs. Life membership fees excluded.

THE PRAG BOSIMI SYNTHETICS LIMITED

- j. Entertainment Expenses : For Company's guests

For the purpose of calculating the above ceiling, perquisites and allowances shall be evaluated as per Income Tax Rules, wherever applicable. In the absence of any such rules, perquisites and allowances shall be evaluated at actual cost to the Company.

Provision of Company's Car with Driver for official duties and telephone at residence shall not be included in computation of perquisites and allowances for the purpose of calculating the above ceiling.

- k. Contribution to P.F. : 12% of Basic Salary
l. Gratuity : 15 days' salary for every completed year of service after completion of five years' continuous service.
m. Earned Leave : 30 days for every 11 months' service, Unavailed leave to be encashed

Where in any financial year, during the currency of the tenure of the Executive Director, the Company has no profits or its profits are inadequate, the Company will pay the above remuneration as minimum remuneration. The above remuneration is in accordance with the ceiling provided under Schedule XIII of the Companies Act, 1956.

The terms and conditions of the said appointment and / or Agreement may be altered and varied from time to time by the Board as it may, in its discretion, deem fit within the maximum amount payable to Shri Devang H. Vyas in accordance with Schedule XIII to the Act or any amendments made hereafter in this regard.

The contract for appointment of Executive Director will be effective from the 3rd July, 2006 after the same is signed by the Company and the Executive Director, and remuneration will be payable with retrospective effect.

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

RESOLVED THAT pursuant to the provision of section 269, read with schedule XIII and other applicable provisions if any of the Companies Act 1956 and subject to such approvals as may be necessary, Shri Samir Kumar Saha, be and is reappointed as Director Finance effective from 20th September 2006 on the following terms and conditions.

- a. Period of Employment : 20th September 2006 to 19th September, 2009.
b. Basic Salary : Rs.98750/- per month
c. Reimbursement of Medical expenses : not exceeding Rs.1250/- per month
d. Gratuity : 15 days' salary for every completed year of service after completion of five years' continuous service
e. Earned Leave : 30 days for every 11 months' service unavailed leave to be encashed

Provision of Company's car with Driver for office use only. Where in any financial year, during the currency of the tenure of the Director Finance, the Company has no profits or its profits are inadequate, the Company will pay the above remuneration as minimum remuneration. The above remuneration is in accordance with the ceiling provided under Schedule XIII of the Companies Act, 1956.

The terms and conditions of the said appointment and / or Agreement may be altered and varied from time to time by the Board as it may, in its discretion, deem fit within the maximum amount payable in accordance with Schedule XIII to the Act or any amendments made hereafter in this regard.

Either party may terminate the Agreement after giving the other party three months notice or three months' remuneration in lieu of the notice.

If at any time he ceases to be Director of the Company for any cause whatsoever, he shall cease to be the Director Finance of the Company. If at any time Shri S.K.Saha ceases to be in the employment of the Company for any cause whatsoever, he shall cease to be Director of the Company.

Shri S.K.Saha is appointed by virtue of his employment in the Company and his appointment is subject to the provisions of Section 283(1)(l) of the Act, while at the same time the Director Finance is liable to retire by rotation.

Shri S.K.Saha shall not be entitled to supplement his earnings under this Agreement with any buying or selling commission. He shall not also become interested or otherwise concerned directly or through his wife and / or minor children in any selling agency of the Company, without the prior approval of the Central Government.

Resolved further that above remuneration will be effective from 1st January 2006.

- (8) 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 authorized 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,

Mumbai
Date: 27th February 2007

(Hemant B.Vyas)
Managing Director

Notes:

- The Register of Members and share transfer books of the Company will remain closed from 21st March 2007 to 30th March 2007 (both days inclusive)
- 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.
- Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 relating to Item No.3 to 8 of the notice is annexed hereto.
- 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 27th FEBRUARY 2007.****Item No. 3:**

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 % 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.4:

Shri Niraj Verma, IAS, was nominated as a Director and Chairman of the Board of Directors of the Company by Assam Industrial Development Corporation Limited (AIDC) in place of Shri H.K.Sharma, IAS. Shri Niraj Verma, IAS, was appointed as a Director with effect from 18th June 2005 in the casual vacancy caused by the withdrawal of the nomination of Shri H.K.Sharma, IAS by AIDC. Since the term of Shri H.K.Sharma, IAS as a director was due to expire at the 17th Annual General Meeting of the Company the term of Shri Niraj Verma, IAS will also expire at the 17th Annual General Meeting of the Company. Shri Niraj Verma, IAS holds office of Director upto date of the forthcoming Annual General Meeting under section 262 of the Companies Act, 1956.

The Company has received notice from a member as required under section 257 of the companies Act, 1956 proposing Shri Niraj Verma, IAS as a candidate for the office of Director, liable to retirement by rotation.

The Board considers it desirable that the Company should continue to avail itself of the services of Shri Niraj Verma, IAS as a Director and accordingly commends the Resolution for approval by the members.

ITEM NO.5.

Shri Hemant B. Vyas was re-appointed as a Managing Director w. e. f 28th May 2004 for a period of three years, His term of employment expires on 27th May 2007. Since the Board is of the view that it is in the interest of the Company to renew the contract with Shri Hemant B.Vyas the Board constituted a committee to recommend remuneration for Shri Hemant B. Vyas. The Remuneration Committee comprised of the following directors. Dr.M.K. Sinha, Shri M.K. Das, and Shri Pritpal Singh. The Committee recommended that Shri Hemant B.Vyas, Managing Director be paid as per the present terms for the time being as set out in the body of the resolution, which the Board has agreed to offer, vide Board Resolution Dated 27th February 2007. Keeping the present situation in view Shri Hemant B.Vyas, Managing Director of the Company has kindly agreed to continue as Managing Director of the Company with the present salary for the time-being without any increase. The proposed remuneration is very much lower than the maximum permissible to a managerial person under Schedule XIII for a Company with effective capital of over Rs.100crores. The said remuneration is also much less than what is paid in the industry to the persons shouldering similar responsibilities.

Shri Hemant B. Vyas is a B.Com of Mumbai University. He possesses 47 years experience in textile industry. Shri Hemant B. Vyas is a promoter of the Company.

Shri Hemant B. Vyas has rendered invaluable services for completing the project of the company amidst a lot of difficulties

and uncertainties including adverse law and order situation of the State of Assam and has taken various steps to contain and balance the cost and the time overrun through his personal efforts and representations with State and Central Governments and other authorities. His services were of utmost importance to maintain morale at the project site and thus for successful completion of the project. The services of Shri. Hemant B. Vyas were not only helpful but also indispensable for completing the project. Shri Hemant B. Vyas voluntarily did not draw any remuneration when the project was under implementation. In view of above, your Directors recommend the Resolution for your approval.

None of the Directors other than Shri Hemant B. Vyas and Shri Devang H. Vyas, Executive Director (Son of Shri Hemant B. Vyas) is in any way concerned or interested in the resolution.

Item No.6:

Shri Devang H.Vyas was appointed as Executive Director w. e. f 3rd July 2003 for a period of three years, His term of employment expired on 2nd July 2006. Since the Board considered that it is in the interest of the Company to renew his appointment, the Board of Directors constituted a committee of Directors at the board meeting held on 30th May 2006 to consider remuneration for Shri Devang H. Vyas. The committee comprised the following Directors. Dr. M.K. Sinha, Shri M.K. Das, Shri Pritpal Singh. The committee recommended that Shri Devang H Vyas, Executive Director be paid remuneration as per the present terms for the time-being as set out in the body of the resolution, which the Board has agreed to offer, vide Board Resolution dated 27th February 2007 keeping the present situation in view Shri Devang H.Vyas, Executive Director of the Company has kindly agreed to continue as Executive Director of the Company with the present salary for the time-being without any increase. The proposed remuneration is very much lower than the maximum permissible to a managerial person under Schedule XIII for Company with effective capital of over Rs.100 crores. The said remuneration is also much less than what is paid in the industry to the persons of comparable background.

Shri Devang H. Vyas is an academically brilliant Chemical Engineer from Mumbai University's Department of Chemical Technology. (UDCT) He ranked third in the Bachelor of Engineering Examination of the UDCT of Mumbai University. He qualified as M.B.A. from Stanford University of U.S.A. He has to his credit experience as a consultant with a global consultancy firm, McKinsey & Co, USA. He started as Deputy General Manager in this Company and rose to the position of Executive Director. He looks after Finance, Personnel, and Systems Management in the Company.

Since the Company intends to expand its production capacity Shri Devang H. Vyas will be required to shoulder higher responsibilities.

Shri Devang H.Vyas by virtue of being a Chemical Engineer and an M.B.A is an ideal professional techno commercial man most suited to the position of Executive director in a petrochemical Company.

Accordingly the resolution set out in the notice is placed for your consideration. None of the Directors other than Shri Devang H. Vyas and Shri Hemant B.Vyas, Managing Director (Father of Shri Devang H. Vyas) is in any way concerned or interested in the resolution. The Directors commend the resolution for your approval.

This explanation together with the notice is and should be treated as an abstract under section 302 of the Companies Act, 1956

ITEM 7

Financial institutions have stipulated that the Company should appoint professionally qualified person as a Director - Finance and the Director, Finance should be member of the Board of Directors. Accordingly Shri Samir Kumar Saha was appointed as a Director Finance w. e. f 20th September 2003 for a period of three years, His term of employment expired on

THE PRAG BOSIMI SYNTHETICS LIMITED

19th September 2006. The Company desires to re-appoint him as Director Finance. Shri Samir Kumar Saha, a Chartered Accountant and Law graduate possessing 31 years experience in the field of accounts, banking and finance. A committee comprising Dr. M.K. Sinha, Shri M.K. Das and Shri Pritpal Singh was constituted by the Board on 14th March 2006 to recommend suitable pay package for Shri Samir Kumar Saha. The Remuneration Committee submitted its Report to the Board and the Board at its meeting held on 14th March 2006 has approved the remuneration as set out in the body of the resolution. The proposed remuneration is much less than the maximum permissible to a managerial person under Schedule XIII for a Company with effective capital of over Rs.100 crores. The said remuneration is also very much lower than what is paid in the industry to the persons shouldering similar responsibilities.

In view of above, your Directors recommend the Resolution for your approval.

None of the Directors other than Shri Samir Kumar Saha is in any way concerned or interested in the resolution.

This explanation together with the notice is and should be treated as an abstract under section 302 of the Companies Act, 1956

Item No.8:

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 Gauhati Stock Exchange and 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 30th March, 2007

Name of the Director	Shri Niraj Verma, IAS	Shri B.H.Bachkaniwala
Date of Birth	6th July, 1969	28th March 1935
Date of Appointment	18th June, 2005	21st March 1990.
Expertise in specific functional area	Management and Administration	Textile
Qualification	B.Tech. Electrical Engineer, IAS	Graduate in Textile Engineering (M. S. University, Baroda)
Experience in No. of Years	10	45
List of outside directorship held	<ol style="list-style-type: none"> 1. Assam Industrial Development Corporation Ltd. 2. Assam Syntex Ltd. 3. Assam Petrochemicals Ltd. 4. Assam State Weaving & Manufacturing Co. Ltd. 5. Cachar Sugar Mills Ltd. 6. Fertichem Ltd. 7. Industrial Paper (Assam) Ltd. 8. Assam Ashok Hotel Corporation Ltd. 9. NEITCO 10. Assam Power loom Development Corpn.Ltd. 11. Ashok Paper Mills Ltd. 12. Assam Carbon Products Ltd. 13. Assam State Textile Corporation Ltd. 14. Pragjyotish Fertilizers & Chemical Ltd. 15. Assam State Fertilizers & Chemicals Ltd. 16. Calcom Cement India Ltd. 	<ol style="list-style-type: none"> 1. Himson Fadis Machinery Pvt.Ltd. 2. Himson Textile Engg. Inds. Pvt. Ltd. 3. Himson Twisting & Texturising Inds.Pvt. Ltd. 4. P.B.Textiles Ltd. 5. Himson Industrial Ceramic Pvt. Ltd. 6. Himson Techno Services Pvt. Ltd. 7. Himson International Pvt. Ltd. 8. Swayambhu Petrochemicals Ltd. 9. Rieter Himson Ltd. 10. Himson Texmac Ltd. 11. Himson Industries Ltd. 12. Mackie Himson Machinery Pvt. Ltd. 13. Galaxy Wires Private Ltd.
Chairman/ member of the committee of the Board of Directors of the Company	-	Share Transfer Committee - Member
Chairman/member of the Committee of Directors of other Companies.	<p>In AIDC members of the following committees</p> <ol style="list-style-type: none"> 1. Departmental Promotion cum Personnel Affairs Committee. 2. Executive Committee. 3. Tender Committee for award of contract over Rs.1 Crore. 	

DIRECTORS' REPORT

Your Directors hereby present their seventeenth annual report together with Audited Statement of Accounts of your Company for the 18-month period ended on 30th September 2006. The performance of the Company is summarized below

	(Rupees in Crores)	
	18 months ended 30th September 2006	18 months ended 31st March 2005
Gross Turnover	74.44	245.36
Turnover net of Excise Duty	65.46	195.26
Profit (Loss) before Depreciation Interest and Taxation	(23.85)	13.91
(Add)/Less: Interest	(7.99)	9.64
(Add)/Less: Depreciation	(5.49)	5.48
Profit/(Loss) after Depreciation, interest and taxation	(37.33)	(1.21)
Add/(Less) Expenses of prior years.	(0.88)	(0.20)
(Loss) for the period	(38.21)	1.41
Add (Less) Loss Brought forward from the Previous year	(40.62)	(39.21)
Total Loss carried Forward to next year	(78.83)	(40.62)

OPERATIONS

Your Directors report that sales performance during the period under review has been adversely affected due to following reasons.

- Unprecedented increase in the raw material prices, which could not be passed on to the finished products.
- Reduction in excise duty announced in Union Budget for year 2005-06 and 2006-07 resulting into lower excise refund which was one of the major contributors to Company's profitability.
- Shortage of working capital caused by steep increase in raw material prices. Unfortunately additional working capital could not be provided in time by the banks inspite of Company's efforts, which has resulted in reduced capacity utilization.

All these factors together resulted in losses. Company closed its production to keep the loss to minimum.

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

As informed in the last Director's report 2003-2005 the company is continuing its effort for expanding its capacity from 36000 TPA to 130,000 TPA over the next two years with capability for producing value added products. Polyester Industry in general is growing at 12%, which is a sign of the industry being healthy. The minimum economic size of POY plants is now about 100,000 tons. Also, today concept of selling just POY yarn is changing and it is now being realised that selling of value added product made from POY is the key to compete successfully. Therefore our Company needs to expand its capacity to at least 100,000 tons to achieve economies of scale and also needs to add maximum downstream machinery for value added production.

You are also aware that your Company has a large liability of financial institutions. It may be noted that inspite of delay, Company's capital goods installation cost was kept in control, however interest burden over the years has mounted, as company was unable to service its debt. To restore its viability Company approached CDR forum in 2004 for restructuring this liability. Company's case was approved by CDR. However, this approval was based on financials of 2003-04 when raw material prices were in normal range of last 5 years, finished product prices were also higher and excise refund was substantial. But the Budget of 2005-06 changed the scenario and Company could not avail of CDR offer. Now financial institutions have come forward for accepting an OTS.

To achieve the One Time Settlement (OTS) as well as for its expansion plan company is negotiating with investors both domestic and international, for raising resources. This will improve the company's long-term viability. 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.

Company is hopeful to achieve favourable result for their efforts in raising the required funds.

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. Though the line has been put into operation as reported earlier, there are still power dips and break downs in the supply. To counteract this, Company has already taken steps to install UPS (Uninterrupted Power Supply), which would make the power supply smooth and continuous. This will improve the quality of Company's production substantially and make its products world class, which is necessary for export. This will also reduce the cost of power.

EXTENSION OF ACCOUNTING YEAR

The accounting year of the Company was changed with necessary approval to cover a period of 18 months from 1st April 2005 to 30th September 2006.

FINANCE

The last Director's Report mentioned about restructuring of company's debt by term lending institutions through Corporate Debt Restructuring cell (CDR). Union Budget of 2005-2006 and 2006-2007 had made drastic changes in the Excise Duty structure, which adversely affected the profitability and as a result the debt servicing capacity of the Company. Accordingly your company had approached the CDR Cell and offered the term lending institutions a One Time settlement (OTS) of Debt. The company has offered the following two options to the term lenders.

OPTION 1: 62.5% of total Principal dues (including Preference Capital) would be total OTS amount, to be paid as:

- 30% of OTS amount would be paid as cash upfront
- 40% of OTS amount would be issued as 0.01% Redeemable Preference Shares, to be redeemed in the 5th year after issue.
- 15% of OTS amount would be issued as 0.01% Convertible Preference Shares to be converted into Equity shares at SEBI formula price 18 months after issue.
- 15% of OTS amount would be issued as 0.01% Convertible Preference Shares to be converted into Equity shares at SEBI formula price 60 months after issue.

OPTION 2: 43% of total Principal dues (including Preference Capital) to be paid as:

- 29% of OTS amount would be paid as cash upfront.
- 7% of OTS amount would be issued as Unsecured Debenture with a coupon of 8% p.a. to be redeemed 18 months after issue.
- 7% of OTS amount would be issued as Unsecured Debenture with a coupon of 8% p.a. to be redeemed 36 months after issue.

WORKING CAPITAL

When the unprecedented rise of raw material prices took place, Company's working capital (which was originally 18% less than the assessed requirement) became seriously insufficient for full capacity utilization. The matter was brought up before the CDR and it directed working capital bankers to bridge the gap. However the banks did not release full working capital requirement of the Company. It may be noted that till December 2004 in the two years since working capital was released Company performed well.

In addition to working capital shortfall due to price increase, a substantial amount of working capital also got blocked in various subsidies granted to the company under North East Industrial

THE PRAG BOSIMI SYNTHETICS LIMITED

Policy. Thus the Company experienced acute working capital shortage. This forced the company to gradually reduce its capacity utilization and finally it had to stop its production from February 2006. As reported earlier your directors are in constant touch with bankers for release of need-based working capital. Directors are also trying to bring in new banks into the consortium.

AUDITORS' REPORT

Your directors give full explanations for various qualifications set out in Auditors' Report in Annexure A, which follows the said Report

CAPITALIZATION OF PROJECT COST

Auditors of the Company in their Audit Report on the accounts for the period ended 30th September 2006 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, is well within the legal position in this behalf, including the provisions 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 rescheduling of its outstanding loans including waiver, reliefs, deferment of repayment of instalments, including one time settlement of all its dues, the quantum of such interest and resultant final loan liability continues to be unascertainable justifying its non provision in these accounts.

Similarly, the Company is also advised that capitalization of pre-operative Capital Work-in-Progress amount should also wait till full stabilization of its Plants and amicable resolution of its negotiations with the lending institutions and crystallization of final amount of interest and principal payable to them. Subject to above, the other Audit qualifications are self-explanatory.

On the same consideration the Company has not carried out any exercise to ascertain whether there has been any impairment of assets as required by accounting standard AS(28).

The Company is taking steps to bring to the notice of the Board of Industrial and Financial Reconstruction (BIFR) regarding erosion of net worth by more than 50% in terms of Sick Industrial Companies (Special Provisions) Act, 1985.

DIRECTORS

ICICI Bank has withdrawn the nomination of Shri Deviinder Gupta and Shri L.Govind as Nominee Directors of the Company. The Board has placed on record the appreciation of invaluable services rendered to the Company by Shri Devinder Gupta and Shri L.Govind during their tenure.

In accordance with the Articles of Association of your Company, Shri.B.H.Bachkaniwala retires by rotation but being eligible offers himself for reappointment.

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.

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 & Company, Chartered Accountants, Auditors of the Company will retire at the forthcoming Annual General Meeting, and being eligible, offer them 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, Standard Chartered Bank, 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 in enabling Company to realise it's vision of brighter tomorrow and a ushering in of rapid economic development of Assam and the Northeast 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

Mumbai

M. K. Das

Date : 27th February, 2007

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:		
Purchased:		
(a) No of Units	11055197	21415320
(b) Total Amount (Rs.)	44791303	86428931
(c) Rate/Unit (Rs.)	4.05	4.04
Own Generation: Through Diesel generators		
(a) No. Of Units:	117962	15109642
(b)Unit per litre of Diesel	2.83	3.62
(c)Cost/Unit (Rs.)	7.13	5.65
Through steam turbine generation		
No. of Units:	N.A	N.A
Unit per litre of Fuel oil/Gas	N.A	N.A
Cost/Unit	N.A	N.A

ANNUAL REPORT 2005 - 2006

2 Coal (specify quality and where used)	N.A	N.A
Quantity:	N.A	N.A
Total cost	N.A	N.A
Average Rate:	N.A	N.A
3. Furnace Oil:		
Quantity (KL)	2021.349	6585.454
Total Amount (Rs.)	40139362	106336960
Average Rate (Rs)	19857.71	16054.43
3. Steam:		
Quantity in Tons:	20213.49	46770.337
Total Cost: (Rs.)	40139342	60299347
Rate per Ton (Rs)	1985.77	1289.26
Consumption per unit of production		
Electricity per K.G. Yarn in No of Units	1.60	1.31
Furnace Oil (Liter)	0.29	0.13
Coal	N.A.	N.A
Steam in K.G. per K.G of Yarn	2.89	1.67

NOTE : The Company could produce only at very low capacity utilization due to various constraints mentioned elsewhere in the report. Secondly there were numerous stoppages of production mainly due to insufficient raw material due to shortage of working capital. Numerous start-ups resulted in inefficiency, as power consumption is very high for the same. This resulted in lower efficiency of power/steam consumption and as a result higher cost/unit of the same during period review.

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. extruder spinning of POY, batch polycondensation chips production and textile division i.e. texturising, twisting and dyeing 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 EARNINGS/OUTGO:

Particulars	Current Period (Rupees)	Previous Period (Rupees)
Foreign Exchange Earnings	Nil	Nil
Foreign exchange Outgo		
Capital Goods	Nil	40576501
Stores, spares and consumables	4588288	17428091
Others	197977	2289851

For and on behalf of the Board

Mumbai
Date: 27th February 2007

M. K. Das
Chairman

ANNEXURE "B" TO DIRECTORS' REPORT**EXPLANATIONS AND INFORMATION ON QUALIFICATIONS IN AUDITORS' REPORT**

Para No.	Explanations
4(i)	The depreciation was not provided for three extruder 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, and is in settlement negotiation.
- 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 recovery of the balance.
- 4(viii) Reconciliation of accounts is an ongoing process with the suppliers and customers.
- 10 The Company is taking necessary steps to report erosion of Net Worth to the Board of Industrial and Financial Reconstruction (BIFR) in terms of Sick Industrial Companies (Special Provisions) Act, 1985.

Annexure

There has been 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

Mumbai
Date: 27th February 2007

M. K. Das
Chairman

Management Discussion and Analysis:

You are aware that your company was incorporated in the year 1987 with the object of putting up a Polyester Yarn plant in Assam as a Joint Sector Company with equity participation of Assam Industrial Development Corporation. Polyester industry was under Industrial License era at that time. Accordingly the Company's capacity was only 15000 TPA which it was subsequently raised to 25000 TPA, which was minimum economic size at the relevant time. You are also aware that the company has faced many difficulties, which were beyond control of the management in implementing the project. The full project could be completed and production could start only in early 2003 with a capacity of 25000 TPA.

While the company was implementing its project the polyester industry came out of the license regime and existing operating units had carried out substantial expansion during that period. Members may kindly remember that directors while furnishing the last report for the period of 18 months from 1st October 2003 to 31st March 2005 have already reported the increase of capacity from 25000 TPA to 36000 TPA. Company's present capacity of 36000 TPA requires massive expansion to ensure its long-term viability independent of the Northeast Industrial Policy, which provides numerous subsidies. The expansion is further required since during the last few years Government of India has reduced the rate of excise duty on PFY. This has adversely affected the company's profitability as refund of excise duty as one of the important incentives provided under the North East Industrial Policy to encourage the industrial growth in Northeast. Keeping in view, your Company is negotiating with various financiers for funding of the expansion pain, which we have already mentioned.

Your company is operating in an industry, which has been experiencing a growth rate of 12%, which is likely to continue in coming years also. Per capita consumption of polyester in India is still far below the average consumption of developed countries. This consumption is likely to catch-up with the world average with the massive GDP growth our economy is experiencing now and which is likely to continue in coming years. Moreover new uses of polyester are emerging in various fields such as sportswear, household textiles, furnishing fabrics, automobile industry and other industrial technical applications. Moreover we are observing a phase in which capacities are being relocated in Asian countries like India and China from other parts of the world. It is estimated by 2010 more than 80% of polyester capacity will be in Asia.

Members are aware that India is becoming a favourite destination for foreign investment. Many International funds are looking for