



# **PROMACT PLASTICS LIMITED**

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**ANNUAL REPORT  
2002-2003**



## Annual Report 2002-2003

### BOARD OF DIRECTORS

Shri Naranbhai N. Patel	<i>Chairman &amp; Managing Director</i>
Shri Rameshbhai S. Patel	<i>Wholesale Director</i>
Shri Jayantibhai N. Patel	<i>Director</i>
Shri Atmaram A. Patel	<i>Director</i>
Shri Kamlesh H. Amin	<i>Director</i>
Shri Vishnubhai P. Patel	<i>Director</i>

### PRINCIPAL BANKERS

State Bank of India  
Mehsana.

### AUDITORS

Shri Pulin Purohit  
*Chartered Accountants*  
Ahmedabad.

### COMPANY LAW CONSULTANT

Shri Kashyap R. Mehta  
*Company Secretary*  
Ahmedabad.

### REGISTERED OFFICE

106, Harikrupa Chambers,  
Behind National Chambers,  
Ashram Road,  
Ahmedabad-380 009.

### FACTORY

**Unit No. 1**  
125, GIDC Estate, Nagalpur,  
Mehsana-384 002.

**Unit No. 2**  
391 to 404, GIDC Estate, Phase-II,  
Dediyasan,  
Mehsana-384 002.

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**NOTICE**

NOTICE is hereby given that the **NINETEENTH ANNUAL GENERAL MEETING** of the members of **PROMACT PLASTICS LIMITED** will be held as scheduled below:

Date : 17th September, 2003  
Day : Wednesday  
Time : 12 Noon  
Place : Conference Hall of Hotel City Pride,  
Opp. Gurukul, Drive - In Road,  
Ahmedabad - 380 052.

to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt Audited Profit and Loss Account of the year ended on 31st March, 2003 and the Balance Sheet as on that date alongwith the Directors' Report and Auditors' Report thereon.
2. To appoint a Director in place of Shri Jayantibhai N. Patel, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting and to fix their remuneration.

**SPECIAL BUSINESS:**

4. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:  
"RESOLVED THAT Shri Atmaram A. Patel be and is hereby appointed as a Director of the Company, liable to retire by rotation."
5. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:  
"RESOLVED THAT Shri Kamlesh H. Amin be and is hereby appointed as a Director of the Company, liable to retire by rotation."
6. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:  
"RESOLVED THAT Shri Vishnubhai P. Patel be and is hereby appointed as a Director of the Company, liable to retire by rotation."
7. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 314 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company do hereby accord its approval to the reappointment of Shri Naranbhai N. Patel as Managing Director of the Company for a period of five years with effect from 15th February, 2003 to 14th February, 2008 on the terms and conditions (which were approved by the Board of Directors on the basis of approval of terms and conditions including payment of remuneration by the Remuneration Committee of the Company) as set out in the draft agreement of appointment submitted to this meeting duly initialled by the Chairman for identification and that he be paid remuneration by way of Salary and Perquisites not exceeding the amount thereof as set out in the accompanying explanatory statement which is permissible under Part II of Schedule XIII of the Companies Act, 1956 as may be decided by the Board of Directors of the Company from time to time."

"RESOLVED FURTHER THAT the extent and scope of Salary and Perquisites as specified in the Explanatory Statement be altered, enhanced, widened or varied by the Board of Directors in accordance with the relevant provisions of the Companies Act, 1956 for the payment of managerial remuneration in force during the tenure of the Managing Director without the matter being referred to the Company in General Meeting again."

**PROMACT PLASTICS LIMITED**

8. To consider, and if thought fit, to pass with or without modification(s) the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 314 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company do hereby accord its approval to the reappointment of Shri Rameshbhai S. Patel as Wholtime Director of the Company for a period of five years with effect from 15th February, 2003 to 14th February, 2008 on the terms and conditions (which were approved by the Board of Directors on the basis of approval of terms and conditions including payment of remuneration by the Remuneration Committee of the Company) as set out in the accompanying explanatory statement which is permissible under Part II of Schedule XIII of the Companies Act, 1956 as may be decided by the Board of Directors of the Company from time to time."

"RESOLVED FURTHER THAT the extent and scope of Salary and Perquisites as specified in the Explanatory Statement be altered, enhanced, widened or varied by the Board of Directors in accordance with the relevant provisions of the Companies Act, 1956 for the payment of managerial remuneration in force during the tenure of the Wholtime Director without the matter being referred to the Company in General Meeting again."

9. To consider, and if thought fit, to pass with or without modification(s) the following Resolution as an Ordinary Resolution:

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgage and/or charge by the Board of Director of the Company of all the immovable and movable properties of the Company wheresoever situate, present and future, and/or conferring power to enter upon and to take possession of assets of the Company in certain events, to or in favour of State Bank of India (SBI) to secure Financial Assistance of Rs. 980 lacs (Rupees nine hundred eighty lacs only) lent and advanced/agreed to be lent/advanced to the Company by SBI together with interest thereon at the agreed rates, compound interest, additional interest, liquidated damages, costs, expenses and other monies payable by the Company to SBI under the Agreement for Financial Assistance/ Letter of Sanction/ Memorandum of Terms and Conditions entered into/to be entered into by the Company in respect of the said Financial Assistance."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with SBI the documents for creating aforesaid mortgage and/or the charge and to do all such acts and things as may be necessary for giving effect to the above Resolution."

**Registered Office:**

106, Harikrupa Chambers,  
Behind National Chambers,  
Ashram Road,  
Ahmedabad - 380 009.  
Date : 30th June, 2003.

By the Order of the Board,

**Naranbhai N. Patel**  
Chairman & Managing Director

**NOTES:**

- The relevant Explanatory statement, pursuant to Section 173(2) of the Companies Act, 1956, in respect of the Special Business at Items Nos. 4 and 9 set out in the Notice is annexed hereto.
- 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 PROXY NEED NOT BE A MEMBER. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME OF MEETING.
- Pursuant to Section 154 of the Companies Act, 1956, Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, the 3rd September, 2003 to Wednesday, the 17th September, 2003 (both days inclusive) for the purpose of 19th Annual General Meeting.
- Members intending to require information about accounts at the meeting are requested to write to the Company at least 10 days in advance of the Annual General Meeting.
- Members are requested to:
  - Intimate, if Shares are held in the same name or in the same order and names, but in more than one account to enable the Company to club the said accounts into one account.
  - Notify immediately the change in their registered address, if any, to the Company.

6. The Equity Shares of the Company are now available for dematerialisation, as the Company has entered into agreement with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Those shareholders who wish to hold shares in electronic form may approach their Depository Participant. The ISIN No. of the Equity Shares is INE818D01011.

**ANNEXURE TO THE NOTICE:  
EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956**

In conformity with the provisions of Section 173(2) of the Companies Act, 1956, following Explanatory Statement sets out all material facts relating to the Special Business mentioned at Items Nos. 4 to 9 in the accompanying Notice dated 30th June, 2003 and should be taken as forming part of the notice.

**In respect of Item No. 4:**

The Board of Directors of the Company in their meeting held on 25th March, 2003 appointed Shri Atmaram A. Patel as an Additional Director of the Company.

As per Article 137 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956, he will hold the office upto the date of this General Meeting.

As required under the provisions of Section 257 of the Companies Act, 1956, notice has been received from some of the members signifying their intention to propose him as candidate for office of the Director.

Shri Atmaram A. Patel is concerned or interested in the said business, since it relates to his appointment as Director of the Company. Except him, none of the Directors is in any way concerned or interested in the said business.

**In respect of Item No. 5:**

The Board of Directors of the Company in their meeting held on 25th March, 2003 appointed Shri Kamlesh H. Amin as an Additional Director of the Company.

As per Article 137 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956, he will hold the office upto the date of this General Meeting.

As required under the provisions of Section 257 of the Companies Act, 1956, notice has been received from some of the members signifying their intention to propose him as candidate for office of the Director.

Shri Kamlesh H. Amin is concerned or interested in the said business, since it relates to his appointment as Director of the Company. Except him, none of the Directors is in any way concerned or interested in the said business.

**In respect of Item No. 6:**

The Board of Directors of the Company in their meeting held on 25th March, 2003 appointed Shri Vishnubhai P. Patel as an Additional Director of the Company.

As per Article 137 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956, he will hold the office upto the date of this General Meeting.

As required under the provisions of Section 257 of the Companies Act, 1956, notice has been received from some of the members signifying their intention to propose him as candidate for office of the Director.

Shri Vishnubhai P. Patel is concerned or interested in the said business, since it relates to his appointment as Director of the Company. Except him, none of the Directors is in any way concerned or interested in the said business.

**In respect of Items Nos. 7 and 8:**

Shareholders may recall that in the 14th Annual General Meeting of the Members of the Company held on 23rd September, 1998, Shri Naranbhai N. Patel and Shri Rameshbhai S. Patel were appointed as Managing Director and Wholetime Director of the Company respectively for a period of five years from 15th February, 1998 to 14th February, 2003. The Board of Directors in their meeting held on 30th January, 2003 has reappointed Shri Naranbhai N. Patel and Shri Rameshbhai S. Patel as Managing Director and Wholetime Director for a further period of five years i.e. from 15th February, 2003 to 14th February, 2008.

**PROMACT PLASTICS LIMITED**

The major terms and conditions (as per recommendations of the Remuneration Committee of the Company) of each of the managerial personnel are as under:

**I. PERIOD:**

For a period of 5 years from 15th February, 2003 to 14th February, 2008.

**II. REMUNERATION:****i) SALARY:**

In the case of Shri Naranbhai N. Patel, Managing Director: Rs. 25,000/- (Rupees twentyfive thousand only) per month.

In the case of Shri Rameshbhai S. Patel, Wholetime Director: Rs. 15,000/- (Rupees fifteen thousand only) per month.

**ii) PERQUISITES:****a) House Rent Allowance:**

50 % of the Salary.

**b) Gas, Electricity etc.:**

The expenditure incurred by the Company on gas, electricity, water, furnishings etc., shall be valued as per Income-tax Rules, 1962. This shall, however, will be subject to a ceiling of 10% of his salary.

**c) Medical Reimbursement:**

Reimbursement of expenses actually incurred. The total cost to the Company shall not exceed one month's salary per annum or three months' salary in a period of three years.

**d) Leave Travel Concession:**

For self and family once in a year incurred in accordance with the rules specified by the Company.

**e) Club Fees:**

Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.

**f) Personal Accident Insurance:**

Premium not exceeding Rs. 8,000/- per annum.

**iii) OTHER PERQUISITES:**

a) Company's contribution to provident fund, superannuation funds will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together or not taxable under the Income tax Act, 1961.

**b) Gratuity:**

Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.

**c) Encashment of leave at the end of tenure.****d) Free use of Company's car for Company's business and telephone at residence.****e) Reimbursement of entertainment expenses incurred for the purpose of Company's business.**

**III.** The Managing Director/Wholetime Director shall not, so long as they function as such, become interested or otherwise concerned directly or through their wife and/or minor children in any selling agency of the Company without the prior approval of the Central Government.

**IV. DUTIES:**

Subject to the Superintendence, direction and control of the Board of Directors of the Company, the Managing Director/Wholetime Director Shall be entrusted with substantial powers of management and also such other duties and responsibilities as may be entrusted to them by the Board of Directors from time to time.

**V. TERMINATION:**

The Managing Director/Wholetime Director may be removed from their office for gross negligence, breach of duty or trust if a special Resolution to that effect is passed by the Company in its General Meeting. The Managing Director/Wholetime Director may resign from their office by giving 90 days' notice to the Company.

**VI. COMPENSATION:**

In the event of termination of office of Managing Director/Wholetime Director takes place before the expiration of tenure thereof, the Managing Director/ Wholetime Director shall be entitled to receive compensation from the Company for loss of office to the extent and subject to limitation as provided under section 318 of the Companies Act, 1956."

As per the provisions of Sections 198, 269, 309, 314 and all other applicable provisions, if any, of the Companies Act, 1956 consent of the Company accorded by Special Resolution is necessary for holding office as Managing Director/Wholetime Director of the Company on remuneration.

The terms and conditions mentioned in the above explanatory statement may be treated as abstract of the terms of proposed contract under Section 302 of the Companies Act, 1956

Resolution of the Board of Directors reappointing Shri Naranbhai N. Patel and Shri Rameshbhai S. Patel as Managing Director and Wholetime Director of the Company respectively and Draft agreement of appointments are open for inspection at the Registered Office of the Company between 11.00 A.M. to 1.00 P.M. on any working day prior to the date of the meeting.

Shri Naranbhai N. Patel and Shri Rameshbhai S. Patel are concerned or interested in the business since it relates to their appointment as Managing Director and Wholetime Director of the Company respectively. No other Director is deemed to be concerned or interested in this Resolution.

**In respect of Item No. 9:**

State Bank of India, Mehsana (SBI) has sanctioned/increased/ renewed Financial Assistance of Rs. 980 lacs (Rupees nine hundred eighty lacs only) to the Company to part finance the project and meeting Working Capital requirements.

As per the Sanction Letter of State Bank of India, Mehsana Branch, the Financial Assistance is to be secured by charge over the immovable/movable properties of the Company, both present and future.

Section 293(1)(a) of the Companies Act, 1956 provides inter alia, that the Board of Directors of a Public Company shall not, without the consent of such public company in general meeting sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company.

Since the charging by the Company of its immovable/movable properties as aforesaid in favour of SBI may be regarded as disposal of the Company's properties/undertakings. It is, therefore, necessary for the members to pass resolution under Section 293(1)(a) of the Companies Act, 1956.

None of the Directors is in any way concerned or interested in the aforesaid resolution.

Copy of the Letter of Sanction of State Bank of India, Mehsana Branch and copies of the relevant documents/ agreement/ correspondence are open for inspection between 11.00 A.M. to 1.00 noon on any working day prior to the date of the meeting.

Your Directors recommend the Resolutions.

**Registered Office:**

106, Harikrupa Chambers,  
Behind National Chambers,  
Ashram Road,  
Ahmedabad - 380 009.  
Date : 30th June, 2003.

By the Order of the Board,

Naranbhai N. Patel  
Chairman & Managing Director



**PROMACT PLASTICS LIMITED****DIRECTORS' REPORT**

Your Directors present the NINETEENTH ANNUAL REPORT together with the Audited Statement of Accounts for the financial year 2002-03 ended 31st March, 2003.

**1. FINANCIAL RESULTS:**

	2002-03	(Rs.in Lacs) 2001-02
Operating Profit (Before Interest & Depreciation)	376.40	238.65
Less : Interest	185.70	168.01
Profit before Depreciation	190.70	70.64
Less : Depreciation	61.88	69.19
Profit before tax	128.82	1.45
Less : Provision for tax	9.66	0.11
Provision for Deferred Tax	39.93	192.05
Profit/(Loss) after tax	79.23	(190.72)
Balance brought forward from Previous year	(86.74)	103.98
(Deficit) carried to Balance Sheet	(7.51)	(86.74)

**2. DIVIDEND:**

In view of the carried forward losses, your Directors regret their inability to recommend any dividend on Equity Shares of the Company for the year 2002-03.

**3. PRODUCTION, SALES & WORKING RESULTS:**

The production of HDPE/PP Woven Sacks during the year under review was 377.08 lacs pcs. compared to 301.36 lacs pcs. during 2001-02 registering an increase of 25 %. The sales during the year under review for HDPE/PP Sacks was 378.21 lacs pcs. compared to 271.24 lacs pcs. during 2001-02. The turnover of the Company was Rs. 3173 lacs against Rs. 2690 lacs for the year 2001-02 registering an increase of 18 %.

The Operating Profit (Before Interest and Depreciation) was higher at Rs. 376.40 lacs against Rs. 238.65 lacs during 2001-02 showing an increase of 58 %. As the Company had to provide very high amount of Interest of Rs. 185.70 lacs during the year under review, the Profit before Depreciation was Rs. 190.70 lacs during the year under review, compared with Rs. 70.64 lacs during 2001-02. After providing for Taxation and Deferred Tax Liability, the Net Profit for the year under review stood at Rs. 79.23 lacs against Net Loss of Rs. 190.72 lacs during 2001-02.

**4. MODERNISATION, EXPANSION AND FUTURE PLANS:**

Your Directors are pleased to report that the Company has started fruitful earnings from expansion project. The installed capacity is now 6,750 M. T. per annum.

**5. ISO 9002:**

Your Company is maintaining all necessary quality standards as prescribed while receiving ISO 9002 Certification from UKAS Quality Management.

**6. FINANCE:**

- 6.1 During the year under review, the Company regularly paid Principal and Interest to the Financial Institutions/Banks.
- 6.2 The Company is at present enjoying Working Capital facilities from State Bank of India, Janta Super Market Branch, Mehsana.



- 6.3 The Income-tax and Sales-tax Assessment of the Company have been completed upto Assessment Year 1999-2000 and the Financial year 1998-1999 respectively.

## **7. DIRECTORS:**

- 7.1 One of your Directors viz. Shri Jayantibhai N. Patel retires by rotation in term of Articles 150 and 151 of the Articles of Association of the Company. He, however, being eligible, offers himself for re-appointment.
- 7.2 Shri Babubhai A. Patel and Shri Kirankumar A. Patel, Directors of the Company resigned w.e.f. 25th March, 2003. The Board of Directors placed on record their sincere sense of appreciation for the advices and services rendered by both the Directors during their tenure.
- 7.3 The Board of Directors, in their meeting held on 25th March, 2003 appointed Shri Atmaram A. Patel, Shri Kamlesh H. Amin and Shri Vishnubhai P. Patel as Additional Directors of the Company. The Board is of the firm opinion that looking to their experience and qualification, the Company will benefit a lot by such appointment. The Board recommend the resolution for regularisation of their appointment.
- 7.4 The Board of Directors, in their meeting held on 30th January, 2003, have reappointed Shri Naranbhai N. Patel and Shri Rameshbhai S. Patel as Managing Director and Wholtime Director respectively for a further period of 5 years w.e.f. 15th February, 2003. The terms and conditions have been enumerated in the Explanatory Statement forming part of Notice of 19th Annual General Meeting. The Board recommend the resolutions for their reappointment.

## **8. DIRECTORS' RESPONSIBILITY STATEMENT:**

Pursuant to the requirement of Section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- (ii) that the Directors have selected such accounting policies and applied them consistently and 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 31st March, 2003 being end of the financial year 2002-03 and of the Profit of the Company for the year;
- (iii) that the Directors have taken proper and sufficient care for 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;
- (iv) that the Directors have prepared the annual accounts on a going concern basis.

## **9. AUDIT COMMITTEE:**

The Board of Directors have constituted 'Audit Committee' of the following Directors:

- |                                 |                           |
|---------------------------------|---------------------------|
| (i) Shri Atmaram A. Patel       | Chairman of the Committee |
| (ii) Shri Vishnubhai P. Patel   | Member of the Committee   |
| (iii) Shri Jayantibhai N. Patel | Member of the Committee   |

## **10. DEMATERIALISATION OF EQUITY SHARES:**

The Company, to facilitate the Shareholders to hold their shareholding in Electronic Form, has entered into agreements with both National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The ISIN No. allotted is INE818D01011.

## **11. CORPORATE GOVERNANCE:**

The Report on Corporate Governance as required under Clause 49 of the Listing Agreement forms part of the Annual Report.