



PROMACT PLASTICS LIMITED

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TWENTYFIRST
A N N U A L
R E P O R T
2004 - 2005

PROMACT PLASTICS LIMITED**TWENTYFIRST ANNUAL REPORT 2004-05**

BOARD OF DIRECTORS	:	Shri Babubhai A. Patel	<i>Chairman</i>
		Shri Rameshbhai S. Patel	<i>Wholetime Director</i>
		Shri Atmaram A. Patel	<i>Director</i>
		Shri Kamlesh H. Amin	<i>Director</i>
		Shri Vishnubhai P. Patel	<i>Director</i>
		Shri Ajit A. Patel	<i>Director</i>

PRINCIPAL BANKERS : **Dena Bank,**
Raj Mahal Road Branch,
Mehsana.

AUDITORS : **M/s. V. B. Chaudhary & Associates,**
Chartered Accountants,
Mehsana.

COMPANY LAW CONSULTANT : **Shri Kashyap R. Mehta**
Company Secretary
Ahmedabad.

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

FACTORY : 391 to 404, GIDC Estate, Phase-II,
Dediyaan, Mehana-384 002.

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NOTICE

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

Date : 31st August, 2005
 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, 2005 and the Balance Sheet as on that date alongwith the Directors' Report and Auditors' Report thereon.
2. To declare Dividend on Equity Shares.
3. To appoint a Director in place of Shri Rameshbhai S. Patel, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri Kamlesh H. Amin, who retires by rotation and, being eligible, offers himself for reappointment.
5. 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:

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

"RESOLVED THAT subject to such consents and approvals as may be required and subject to the compliances of relevant guidelines issued by Securities and Exchange Board of India (SEBI), a sum of Rs.1,08,53,000/- being part amount standing to the credit of Profit and Loss Account as on 31st March, 2005 be capitalised and the same be applied for allotment of 10,85,300 fully paid up Equity Shares of Rs. 10/- each as Bonus Shares to the Shareholders whose names appear on the Register of Members of the Company on date to be fixed by the Board of Directors in that behalf (hereinafter referred to as the 'Record Date') towards the payment in full of 10,85,300 new Equity Shares of Rs. 10/- each and that such new Equity Shares credited as fully paid-up, be accordingly allotted as Bonus Shares to such shareholders respectively in the proportion of 1 (one) Equity Share for every 5 (five) Equity Share held by them on the record date on the following terms and conditions:

- (a) the new Equity Shares so allotted shall be treated for all purposes as an increase in the nominal amount of the Equity Capital of the Company held by each such shareholders and not as income.
- (b) the aforesaid Bonus Shares, fully paid-up, as and when issued and allotted shall be subject to the Memorandum and Articles of Association of the Company and shall in all respect rank pari passu with the existing shares of the Company except that the said Shares shall be entitled to any dividend which may be declared for the year in which allotment of Bonus Shares is made.
- (c) no fractional certificate shall be issued to the shareholders in respect of their respective fractional entitlement of Bonus Shares but all the fractions remaining after allotment of the Bonus Shares as aforesaid shall be consolidated into full Bonus Shares which shall be allotted at the discretion of the Directors to any person or persons in trust for the benefit of those shareholders who are entitled to fractional entitlement of Bonus Shares, for the purpose of selling such consolidated full Bonus Shares as soon as possible in the market and that the net sale proceeds of such consolidated of full Bonus Shares after deducting therefrom the costs, charges and expenses of sale shall be divided and distributed proportionately amongst those share holders who would be entitled to fractional entitlements.



PROMACT PLASTICS LIMITED

- (d) no allotment letters will be issued, but the Share Certificates in respect of the new Equity Shares shall be issued within three months from the date of allotment thereof."

"RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to settle all questions or difficulties that may arise with regard to the allotment and issue of the said new Equity Shares, in such manner as they shall determine in their absolute discretion."

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

"RESOLVED THAT pursuant to the provisions of Section 94 and all other applicable provisions of the Companies Act, 1956, the Authorised Share Capital of the Company be and is hereby increased from Rs. 5,50,00,000/- (Rupees Five Crores fifty lacs only) divided into 55,00,000 (Fiftyfive lacs) Equity Shares of Rs.10/- (Rupees ten only) each to Rs. 7,00,00,000/- (Rupees Seven Crores only) divided into 70,00,000 (Seventy Lacs) Equity shares of Rs.10/- (Rupees ten only) each and that Clause V of the Memorandum of Association of the Company be altered accordingly."

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

"RESOLVED THAT pursuant to the provisions of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956 and the Articles of Association of the Company, consent of the company be and is hereby accorded to the Board of Directors of the Company to borrow any sum or sums of money from time to time, from any one or more of the Company's bankers and/or from any one or more other persons/ firms/ bodies corporate/ financial institutions whether by way of cash credit, advance or deposits, loans, debentures or bill discounting or otherwise and whether secured or unsecured by mortgage, charge, hypothecation or lien or pledge of the Company's assets and properties notwithstanding that moneys to be borrowed together with moneys already borrowed by the Company (apart from temporary loans obtained from Company's bankers in the ordinary course of business) will or may exceed the aggregate of the paid up capital and free reserves of the Company i.e. reserves not set apart for any specified purpose, provided however the total amount outstanding at any time shall not exceed Rs. 100,00,00,000/- (Rupees Hundred Crores)."

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 the Board of Directors of the Company, mortgaging and/or charging all the immovable and movable properties of the Company wheresoever situate, present and future and the whole of the undertaking of the Company in favour of any bank/financial institutions/any other person to secure the payment of not exceeding Rs. 100,00,00,000/- (Rupees Hundred Crores only) at any particular time of loan / Interest, cost and all other money, expenses payable to lender."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalize with lenders, documents for creating mortgage and/or charge and reserving the right 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 : 23rd June, 2005.

By the Order of the Board,

Babubhai A. Patel
Chairman

ANNUAL REPORT 2004-2005**NOTES :**

1. The relevant Explanatory statement, pursuant to Section 173(2) of the Companies Act, 1956, in respect of the Special Business at Items Nos. 6 to 9 set out in the Notice is annexed hereto.
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 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.
3. Pursuant to Section 154 of the Companies Act, 1956, Register of Members and Share Transfer Books of the Company will remain closed from Thursday, the 25th August, 2005 to Wednesday, the 31st August, 2005 (both days inclusive) for the purpose of deciding the right of entitlement of dividend on equity shares for the year 2004-05. The Dividend, if declared by the members will be paid on and after 3rd September, 2005.
4. 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.
5. Members are requested to:
 - a) 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.
 - b) 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. 6 to 9 in the accompanying Notice dated 23rd June, 2005 and should be taken as forming part of the notice.

In respect of Item No. 6:

The Article No. 200 of the Articles of Association of the Company provide that the Company in General Meeting may upon the recommendation of the Directors resolve that any money, investments or other assets forming part of the undivided profits of the Company standing to the credit of any reserve/s may be capitalised by issue of Bonus Shares.

The Paid-up Share capital of the Company is Rs. 542.65 lacs divided into 54,26,500 Equity Shares of Rs. 10/- each as on 31st March, 2005. The Balance in the General Reserves, Investment Allowance Reserve, Cash Subsidy and Profit and Loss Account stand at Rs. 32.40 lacs, 11.30 lacs, 56.42 lacs and 109.95 lacs respectively.

Your Directors consider it desirable to bring the paid-up share capital of the Company in line with the total capital employed in its business and therefore, recommend that a sum of Rs. 108.53 lacs being part of the amount standing to the credit of Profit and Loss Account as on 31st March, 2005 be capitalised and applied for the issue of 10,85,300 Equity Shares of Rs. 10/- each as Fully paid-up Bonus Shares in the proportion of 1 (one) new equity bonus share against 5 (five) equity share of Rs. 10/- each held. They further record that the proposed issue of Bonus Shares is not in lieu of dividend.

The said Bonus Shares shall rank pari-passu with the existing Equity Shares except for dividend for the financial year 2004-05.

The Directors of the Company may be considered to be interested in the resolution to the extent of their respective shareholdings in the Company.

The Directors recommend the resolution to the Members for their approval.

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In respect of Item No. 7:

The present Authorised Share Capital of the Company is Rs. 5,50,00,000/- (Rupees Five Crores fifty lacs only) divided into 55,00,000 Equity Shares of Rs. 10/- each. In view of the recommendation of the Board of Directors of Bonus Shares, it is proposed to increase the Authorised Share Capital of the Company from Rs. 5,50,00,000/- to Rs. 7,00,00,000/- (Rupees Seven Crores only) divided into 70,00,000 Equity Shares of Rs.10/- each. Consequent to the increase in Authorised Share Capital, it is necessary to alter Clause V of the Memorandum of Association of the company.

As per Section 94 of the Companies Act, 1956, it is necessary to have approval of the members by way of an Ordinary Resolution to increase the Authorised Share Capital of the Company.

None of the Directors of the Company is concerned or interested in the above Resolution.

Your Directors recommend the Resolutions.

In respect of Item No. 8:

Since the volume of business is likely to increase, the Company may require more funds in future and it will be necessary for the Company, from time to time either from its bankers or from bodies corporate or from financial Institutions or from others for activities of the Company.

The consent of the members pursuant to Section 293(1)(d) of the Companies Act, 1956 is necessary where the Board of Directors wants to borrow money which is in excess of the aggregate of the paid up capital and free reserves of the Company.

The resolution is of an enabling nature in that it would authorise the Directors to borrow from time to time sums not exceeding Rs. 100,00,00,000/- (Rupees Hundred Crores).

None of the Directors of the Company is concerned or interested in the above Resolution.

Your Directors recommend the Resolutions.

In respect of Item No. 9:

In the ordinary course of business, the Company would require to borrow funds from bank/financial institutions/any other person. The borrowings may be required to be secured by mortgage/charge on immovable and movable properties of the company. The Resolution will enable the Board of Directors to create charge/mortgage on the movable and immovable properties of the company.

Consent of the members under Section 293 (1) (a) of the Companies Act, 1956 by way of Ordinary Resolution is necessary.

None of the Directors of the Company is concerned or interested in the above Resolution.

Your Directors recommend the Resolution.

Registered Office:

106, Harikrupa Chambers,
Behind National Chambers,
Ashram Road,
Ahmedabad-380 009.
Date : 23rd June, 2005.

For and on behalf of the Board,

Babubhai A. Patel
Chairman

ANNUAL REPORT 2004-2005**DIRECTORS' REPORT**

Dear Shareholders,

Your Directors present the TWENTYFIRST ANNUAL REPORT together with the Audited Statement of Accounts for the financial year 2004-05 ended on 31st March, 2005.

1. FINANCIAL RESULTS

	2004-2005	(Rs.in Lacs) 2003-2004
Operating Profit (Before Interest & Depreciation)	375.92	368.85
Less : Interest	156.73	162.38
Profit before Depreciation	219.19	206.47
Less : Depreciation	66.90	67.99
Profit before tax	152.29	138.48
Less : Provision for tax	17.51	10.39
Provision for Deferred Tax	41.12	42.93
Profit after tax	93.66	85.17
Balance brought forward from Previous year	77.65	(7.52)
Balance available for appropriation	171.30	77.65
APPROPRIATIONS :		
Dividend	54.26	---
Tax on Dividend	7.09	---
Balance carried to Balance Sheet	109.95	77.65
	171.30	77.65

2. DIVIDEND

Your Directors recommend a dividend @ Re. 1 (previous year: nil) on 54,26,500 Equity Shares of Rs. 10/- each fully paid up for the year ended on 31st March, 2005. The dividend is tax free in the hands of shareholders. The outflow of dividend and tax on dividend, if approved by members would be Rs. 54.26 lacs and Rs. 7.09 lacs respectively.

3. PRODUCTION, SALES & WORKING RESULTS:

The production of HDPE/PP Woven Sacks during the year under review was 238.56 lacs pcs. compared to 337.91 lacs pcs. during 2003-04. The sales during the year under review for HDPE/PP Sacks was 235.07 lacs pcs. compared to 354.41 lacs pcs. during 2003-04. The turnover during the year under review was Rs. 3214 lacs against Rs. 3195 lacs during 2003-04.

The Operating Profit (Before Interest and Depreciation) was Rs. 375.92 lacs against Rs. 368.85 lacs during 2003-04. As the Company had to provide for Interest of Rs. 156.73 lacs during the year under review, the Profit before Depreciation was Rs. 219.19 lacs during the year under review, compared with Rs. 206.47 lacs during 2003-04. The Company provided Rs. 66.90 lacs for Depreciation and therefore Profit before tax stood at Rs. 152.29 lacs during the year under review compare to Rs. 138.48 lacs for the year 2003-04. After providing for Taxation and Deferred Tax Liability, the Net Profit for the year under review stood at Rs. 93.66 lacs against Net Profit of Rs. 85.17 lacs during 2003-04.

4. RECOMMENDATION OF BONUS SHARES:

The Board of Directors in their meeting held on 23rd June, 2005 have recommended to capitalise reserves of Rs. 1,08,53,000/- by way of issue of 10,85,300 fully paid up equity shares of Rs. 10/- each as Bonus Shares in proportion of 1 (one) equity share for every 5 (five) equity shares held on Record Date which shall be fixed by the Board of Directors after receiving approval of the members for issue of Bonus Shares. The issued, subscribed and paidup share capital of the Company after Bonus issue will be Rs. 651.18 lacs.

The resolution according approval by members to Bonus issue has been embodied in the notice convening 21st Annual General Meeting. The Board recommend the resolution.



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5. 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.

6. ISO 9002:

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

7. FINANCE:

- 7.1 During the year under review, the Company regularly paid Principal and Interest to the Financial Institutions/Banks.
- 7.2 The Company is at present enjoying Working Capital facilities of Rs.730 lacs from Dena Bank, Rajmahal Road Branch, Mehsana.
- 7.3 The Income-tax and Sales-tax Assessment of the Company have been completed upto Assessment Year 2002-03 and the Financial Year 2002-03 respectively.

8. DIRECTORS:

Two of your Directors viz. Shri Rameshbhai S. Patel and Shri Kamlesh H. Amin retire by rotation in term of Articles 150 and 151 of the Articles of Association of the Company. They, however, being eligible, offer themselves for re-appointment.

9. 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 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 31st March, 2005 being end of the financial year 2004-05 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.

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.

12. LISTING:

The Equity Shares of the Company are listed on Ahmedabad and Mumbai Stock Exchanges and the Company has paid Annual Listing Fees to both the Stock Exchanges upto the year 2005-06.

13. GENERAL:

13.1 INSURANCE:

The Companies properties including plant, Machinery, Stock, store etc., continue to be adequately insured against risks, such as fire, riot, strikes etc.

13.2 AUDITORS:

The present Auditors of the Company **M/s. V. B. Chaudhary & Associates**, Chartered Accountants, Mehsana were appointed as Auditors for the year 2004-05 in the Extra Ordinary General Meeting held on 8th April, 2005 and as such they will retire at the ensuing Annual General Meeting of the Company. They have submitted Certificate for their eligibility for re-appointment under Section 224 (1-B) of the Companies Act, 1956.

The notes of the Auditors to the accounts are self explanatory.

13.3 PARTICULARS OF EMPLOYEES:

There is no employee drawing remuneration requiring Disclosure under Section 217(2-A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

13.4 DONATIONS:

During the year under report, the Company donated **Rs. 0.15 lacs** for religious/charitable purposes.

13.5 DEPOSITS:

The Company has not invited/accepted any Deposits from the Public within the meaning of Section 58 A of the Companies Act, 1956 and Rules made thereunder.

14. PARTICULARS AS REQUIRED UNDER COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 IS AT ANNEXURE - I.**15. ACKNOWLEDGMENT:**

Your Directors are pleased to take this opportunity to express sincere gratitude for the assistance and continued co-operation extended by Promoters, Financial Institutions, Banks, Government Authorities, Shareholders, Suppliers and Customers.

Your Directors also wish to place on record their deep appreciation of the contribution made by employees at all levels towards the growth of the Company.



For and on behalf of the Board,

Ahmedabad-380 009.
Date : 23rd June, 2005.

Babubhai A. Patel
Chairman

ANNEXURE - I

A. CONSERVATION OF ENERGY :

- a) Energy consumption measures taken and implemented and its impact.
 1. Centralization of operation also save energy consumption.
 2. Installation of modern circular looms which give same production with less power consumption.
 3. Installation of one higher capacity compressor in place of three compressor with less power consumption.
 4. Installation of high capacity modern tape plant which reduce energy consumption.
 5. Installation of six suttlles modern circular looms which give bigger size of fabric with same power consumption.
- b) Total Energy consumption and Energy Consumption per unit of production as per Form A prescribed in the Rules is annexed to this report.

B. TECHNOLOGY ABSORPTION :

- a) Efforts made in the technology absorption:
The Company is using indigenous technology which is the latest technology anywhere and the Company is implementing the recommendations received from machinery suppliers for advancement of technology. The Company has not carried out any specific Research and Development activities except for routine quality improvement and process development.
- b) Total Foreign Exchange earned and used.

The Company has not earned or spent any foreign exchange during the year under review.

FORM - A

Disclosure of particulars with respect to Conservation of Energy

	<u>April, 2004</u> <u>March, 2005</u>	<u>April, 2003</u> <u>March, 2004</u>
A. Power and fuel Consumption		
1. Electricity		
a) Purchased Units	46,77,631	49,07,212
Total amount (Rs. in lacs)	239.49	241.58
Rate/Unit Rs.	5.12	4.92
b) Through Diesel Generator		
Units	3,43,738	17,913
Total amount (Rs. in lacs)	17.84	0.91
Cost/Unit Rs.	5.19	5.08
2. Coal	Nil	Nil
3. Furnace oil	Nil	Nil
4. LSHS	Nil	Nil
B. Consumption per ton of Production		
Products	HDPE Fabrics/Sacks	
Electricity Unit	956	942

For and on behalf of the Board,

Ahmedabad-380 009.
Date : 23rd June, 2005.

Babubhai A. Patel
Chairman