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PROMACT PLASTICS LIMITED

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22ND

ANNUAL

REPORT

2005-2006

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PROMACT PLASTICS LIMITED

TWENTYSECOND ANNUAL REPORT 2005-06

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

PRINCIPAL BANKERS :

Dena Bank,
Raj Mahal Road Branch,
Mehsana.

The Mehsana Urban Co.op. Bank Ltd.,
C. G. Road Branch,
Ahmedabad.

Main Branch
Mehsana

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

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

FACTORY : 391 to 404, GIDC Estate, Phase-II,
Dediyasan, Mehsana-384 002.

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NOTICE

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

Date	:	21st September, 2006
Day	:	Thursday
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, 2006 and the Balance Sheet as on that date along with the Directors' Report and Auditors' Report thereon.

2. To appoint a Director in place of Shri Vishnubhai P. Patel, who retires by rotation and, being eligible, offers himself for reappointment.

3. To appoint a Director in place of Shri Ajit A. Patel, who retires by rotation and, being eligible, offers himself for reappointment.

4. 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.

Registered Office:
106, Harikrupa Chambers,
Behind National Chambers,
Ashram Road,
Ahmedabad-380 009.
Date : 30th June, 2006.

By the Order of the Board,

Babubhai A. Patel
Chairman

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NOTES :

1. 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.

2. Pursuant to Section 154 of the Companies Act, 1956, Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, the 5th September,2006 to Thursday, the 21st September, 2006 (both days inclusive).

3. 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.

4. 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 of the Equity Shares is INE818D01011.

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DIRECTORS' REPORT

Dear Shareholders,
Your Directors present the TWENTYSECOND ANNUAL REPORT together with the Audited Statement of Accounts for the financial year 2005-06ended on 31st March,2006.

1. FINANCIAL RESULTS

(Rs.in Lacs)

	2005-2006	2004-2005
Operating Profit / (Loss) Before Interest & Depreciation	(134.75)	258.92
Less : Interest	113.63	156.73
Profit (Loss) before Depreciation	248.38	102.19
Less : Depreciation	65.92	66.90
Profit / (Loss) before tax	(314.30)	-
Less : Provision for tax	-	35.29
Provision for Deferred Tax	2.65	10.94
Profit / (Loss) after tax	(314.30)	21.70
Balance brought forward from Previous year	99.35	77.65
Balance carried to Balance Sheet	(214.95)	99.35

2. DIVIDEND

In view of losses suffered during the year under review and accumulated losses, your Directors are unable to recommend Dividend on Equity Shares for the year 2005-06.

3. PRODUCTION, SALES & WORKING RESULTS:

The production of HDPE/PP Woven Sacks during the year under review was 107 lacs pcs. compared to 239 lacs pcs. during 2004-05. The turnover during the year under review was Rs. 1242 lacs against Rs. 3214 lacs during 2004-05.

The Operating Loss (before Interest and Depreciation) was Rs. 134.75 lacs against Operating Profit of Rs. 258.92 lacs during 2004-05. As the Company had to provide for Interest of Rs. 113.63 lacs during the year under review, the Loss before Depreciation was Rs. 248.38 lacs during the year under review, compared to Profit before Depreciation of Rs. 102.19 lacs during 2004-05. The Company provided Rs. 65.92 lacs for Depreciation and, therefore, Loss before Tax stood at Rs. 314.30 lacs during the year under review compared to Profit before Tax of Rs. 35.29 lacs for the year 2004-05. The Net Loss for the year under review stood at Rs. 314.30 lacs against Net Profit of Rs. 21.70 lacs during 2004-05.

4. FINANCE:

The Company is at present enjoying Working Capital facilities of Rs.730 lacs from Dena Bank, Rajmahel Road Branch, Mehsana.

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.

5. DIRECTORS:

Two of your Directors viz. Shri Vishnubhai P. Patel and Shri Ajit A. Patel 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.

6. INCREASE IN AUTHORISED SHARE CAPITAL:

The Authorised Share Capital of the Company, after obtaining necessary approval of the Shareholders of the Company, was increased from Rs. 550 lacs divided in to 55,00,000 Equity Shares of Rs. 10/- each to Rs. 700 lacs divided in to 70,00,000 Equity Share of Rs. 10/- each.

7. ISSUE OF BONUS SHARES:

The Board of Directors allotted 10,85,300 Bonus Equity Shares of Rs. 10/- each on 13th October, 2005 in proportion of 1 Bonus Equity Share of Rs. 10/- each against 5 Equity Shares of Rs. 10/- each held on Record Date.

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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 along with 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, 2006 being end of the financial year 2005-06 and of the Loss 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. 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 allotted is INE818D01011.

10. CORPORATE GOVERNANCE:

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

11. 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.

12. GENERAL:

12.1 INSURANCE:

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

12.2 AUDITORS:

The present Auditors of the Company M/s. V. B. Chaudhary & Associates, Chartered Accountants, Mehsana were appointed as Auditors for the year 2005-06 in the 21st Annual General Meeting held on 31st August,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.

12.3 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.

12.4 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.

13. PARTICULARS AS REQUIRED UNDER COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 IS AT ANNEXURE - I.

14. 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.

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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 : 30th June, 2006.

Babubhai A. Patel
Chairman

ANNEXURE - I

A. CONSERVATION OF ENERGY :

a) Energy consumption measures taken and implemented and its impact.

1. Centralization of operational so 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 shuttles 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.

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FORM - A

Disclosure of particulars with respect to Conservation of Energy

	2005-2006	2004-2005
A. Power and fuel Consumption		
1. Electricity		
a) Purchased Units	**28,17,568**	46,77,631
Total amount (Rs. in lacs)	**136.82**	239.49
Rate/Unit Rs.	**4.86**	5.12
b) Through Diesel Generator		
Units	**48,708**	3,43,738
Total amount (Rs. in lacs)	**2.41**	17.84
Cost/Unit Rs.	**4.95**	5.19
2. Coal	**Nil**	Nil
3. Furnace oil	**Nil**	Nil
4. LSHS	**Nil**	Nil
5. Gas (Amt. In Lacs)	**2.95**	Nil
B. Consumption per ton of Production		
Products		HDPE Fabrics/Sacks
Electricity Unit	**645**	956

For and on behalf of the Board,

Place : Ahmedabad
Date : 30th June, 2006

Babubhai A. Patel
Chairman

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REPORT ON CORPORATE GOVERNANCE

INTRODUCTION:

Corporate Governance is important to build confidence and trust which leads to strong and stable partnership with the Investors and all other Stakeholders. The detailed Report on implementation of Corporate Governance Code as incorporated in Clause 49 of the Listing Agreement with the Stock Exchange/s is set out below:

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

The Company's philosophy on Corporate Governance lays strong emphasis on transparency, accountability and ability. The Company has implemented the mandatory requirements of the 'Code of Governance' as mentioned in Clause 49 of the Listing Agreement. The Compliance Report of the Company vis-a-vis the Stock Exchange Listing Agreement is presented below.

2. BOARD OF DIRECTORS:

a) Composition and Category of Directors:

Name of Directors	Category of Directorship	No. of other Director ships *	Committee (1) Membership (2) Meetings Chairmanship in other companies	No. of Board attended	Attendance at the AGM held on 31-08-2005 Yes(Y)/No(N)
Babubhai A. Patel, Chairman	Non-Executive	---	---	8	Y
Rameshbhai S. Patel, Wholetime Director	Executive	---	---	8	Y
Atmaram A. Patel	Independent Non-executive	---	---	8	Y
Kamlesh H. Amin	Independent Non-executive	---	---	8	Y
Vishnubhai P. Patel	Independent Non-executive	---	---	8	Y
Ajit A. Patel	Non-Executive	- -	---	8	Y

* Private companies excluded.

b) Details of the Directors seeking Appointment/Reappointment in forthcoming Annual General Meeting:

Name of Director	Vishnubhai P. Patel	Ajit A. Patel
Date of Birth	19-11-1963	16-07-1971
Date of Appointment	25-03-2003	23-02-2004
Expertise in specific functional areas	Administration & Accounts	Accounts & Finance
List of Public Limited Companies in which Directorship held	---	---
Membership of the Committees of the Board of Directors of the Company	Audit, Remuneration & Shareholders' Grievances Committee	---
Chairman/Member of the Committees of Directors of other companies.	---	---

c) Board Procedures:

The Board of Directors meets once a quarter to review the performance and Financial Results. A detailed Agenda File is sent to all the Directors well in time of the Board Meetings. The Chairman/Managing Director briefs the Directors at every Board Meeting, overall performance of the Company. All major decisions/approvals are taken at the Meeting of the Board of Directors such as policy formation, business plans, budgets, investment opportunities, Statutory Compliance etc. The meeting of the Board of Directors were held on 23-06-2005, 28-07-2005, 08-08-2005, 31-08-2005, 13-10-2005, 27-10-2005, 31-01-2006 and 20-02-2006.

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3. **AUDIT COMMITTEE:**

The Audit Committee consists of the following Directors:

Name of the Director	Expertise	Functions of the Committee	Attendance
Atmaram A. Patel	All members are non-executive. Chairman is independent Director and majority are independent. One member has thorough financial and accounting knowledge.	The functions of the Audit Committee are as per Company Law and Listing Agreement with Stock Exchange(s) which include approving and implementing the audit procedures, review of financial reporting system, internal control procedures and risk management policies.	All the members were present at the meeting held on: 23-06-2005, 28-07-2005, 8-8-2005 and 31-01-2006.
Vishnubhai P. Patel			
Babubhai A. Patel			

4. **REMUNERATION COMMITTEE:**

The Board Committee is vested with the responsibilities to function as per SEBI Guidelines and recommends to the Board Compensation Package for the Managing Director. It also reviews from time to time the overall Compensation structure and related policies with a view to attract, motivate and retain employees.

The Committee comprises the following Directors as members:

1. Atmaram A. Patel, Chairman - Non-executive Independent
2. Vishnubhai P. Patel, Member - Non-executive Independent
3. Babubhai A. Patel, Member - Non-executive

All the members attended the meetings held on 23rd June, 2005and 31st January, 2006.

Details of remuneration paid:

1. None of the Directors was paid any managerial remuneration during the year 2005-06.
2. No Sitting Fees, Commission or Stock Option has been offered to the Directors.

5. **SHAREHOLDERS/INVESTORS' GRIEVANCES COMMITTEE:**

The Board has constitutes a Shareholders/Investors' Grievances Committee for the purpose of effective redressal of the complaints of the shareholders such as Dematerialisation, Share Transfer, Non-receipt of Balance Sheet, Dividend Warrants etc.

Shri Vishnubhai P. Patel and Shri Rameshbhai S. Patel, Directors are the Members of the Committee.

The Company received ten complaints during the year and all were resolved to the satisfaction of the shareholders. There was no valid request for transfer of shares pending as on 31st March,2005.

Shri Hemendrabhai Patel, Secretarial Executive is the Compliance Officer for the above purpose.

6. **GENERAL BODY MEETINGS:**

Details of last three Annual General Meetings of the Company are given below:

Financial Year	Date	Time	Venue
2002-03	17-09-2003	12 Noon	Conference Hall of Hotel City Pride, Opp.Gurukul, Drive-In Road, Ahmedabad - 380 052.
2003-04	17-09-2004	12 Noon	Conference Hall of Hotel City Pride, Opp.Gurukul, Drive-In Road, Ahmedabad - 380 052.
2004-05	31-08-2005	12 Noon	Conference Hall of Hotel City Pride, Opp.Gurukul, Drive-In Road, Ahmedabad - 380 052.

Pursuant to the provisions of Section 192 A of the Companies Act, 1956, there was no matter required to be dealt by the Company to be passed through postal ballot.

7. **DISCLOSURES:**

a) The Company has not entered into any transaction of material nature with the Promoters, the Directors or the Management that may have any potential conflict with the interest of the Company. The Company has no subsidiary.

b) There was neither any non-compliance of any legal provision of applicable law, nor any penalty, stricture imposed by the Stock Exchange/s or SEBI during the year under review.

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8. MEANS OF COMMUNICATIONS:

a) In compliance with the requirements of the Listing Agreement, the Company is regularly intimates Unaudited/ Audited Financial Results to the Stock Exchange/s immediately after they are taken on record by the Board of Directors. These Financial Results are normally published in 'Western Times' (English and Gujarati).

Results are not displaying on Website and are not sent individually to the Shareholders.

b) During the year ended on 31st March,2006, no presentation were made to Institutional Investors or analyst or any other enterprise.

c) Management Discussion and Analysis form part of the Annual Report.

9. SHAREHOLDERS' INFORMATION:

a) Registered Office : 106, Harikrupa Chambers, Behind National Chambers, Ashram Road, Ahmedabad - 380 009.

b) Annual General Meeting :
Day : Thursday
Date : 21st September, 2006
Time : 12 Noon.
Venue : Conference Hall of Hotel City Pride, Opp. Gurukul, Drive - In Road, Ahmedabad - 380 052.

c) Financial Calendar :

1st Quarter Results	End-July, 2006.
Half-yearly Results	End-October, 2006.
3rd Quarter Results	End-January, 2007.
Audited yearly Results	End-June, 2007.

d) Book Closure Dates : From : Tuesday, the 5th September, 2006
To : Thursday, the 21st September, 2006.
(Both days inclusive).

e) Dividend Payment Date : Not Applicable

f) Listing of Shares on :
1. Ahmedabad Stock Exchange Limited, Kamdhenu Complex, 1st Floor, Opp. Sahajanand College, Panjara Pole, Ambawadi, Ahmedabad - 380 015.
2. Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 001.

g) Stock Exchange Code :

Stock Exchange	Code
ASE	45611
BSE	526494

h) Stock Price Data :

The shares of the Company have been traded on The Stock Exchange, Mumbai during the period from 1st April, 2005 to 31st March, 2006. The details of which are as under:

BSE

Month	High (Rs.)	Low (Rs.)	Shares Traded (No.)
April, 2005	13.45	9.50	45938
May, 2005	11.50	6.50	74205
June, 2005	20.33	9.50	1964330
July, 2005	28.00	15.00	958980
August, 2005	27.20	21.55	2020558
September, 2005	26.85	16.90	1422260
October, 2005	16.90	9.55	600699
November, 2005	16.28	9.78	154077
December, 2005	14.00	10.56	192328
January, 2006	15.70	11.22	524836
February, 2006	14.08	10.65	203737
March, 2006	11.95	7.55	794862

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