POLYPLEX

CORPORATION LTD.

TWENTIETH ANNUAL REPORT
2004 - 2005

20th Annual Report

Board of Directors

Sanjiv Saraf - Chairman
S.G. Subrahmanyan - Vice Chairman
Brij Kishore Soni
Mukesh Kumar Jain - Nominee Director - IDBI Ltd.
Air Chief Marshal O.P. Mehra (Retd.)
Ramesh Bhatia
Sanjiv Chadha (w.e.f. 17.6.2005)
Dr. Suresh Surana
Pranay Kothari - Executive Director

Company Secretary

A.K. Gurnani

Auditors

Lodha & Co.,
Chartered Accountants,
New Delhi

Bankers

State Bank of Patiala
HDFC Bank Ltd.
State Bank of Hyderabad
State Bank of Mysore
The Federal Bank Ltd.
Chinatrust Commercial Bank

Corporate Office

B-37, Sector-1
NOIDA,
Gautam Budh Nagar,
Uttar Pradesh - 201 301

Registered Office & Works

Lohia Head Road, Khatima - 262 308,
Distt. Udham Singh Nagar,
Uttaranchal

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Directors' Report

To the Members

Yours Directors have pleasure in submitting the Twentieth Annual Report and Audited Accounts for the year ended March 31, 2005.

1. Financial Highlights and Operations

(Rs. in Lacs)

	2004-05	2003-04
Earnings before Interest, Depreciation and tax (EBITDA)	3838.21	5674.49
Less : Interest & Finance Charges (Net)	990.15	901.56
Less : Depreciation	918.30	921.56
Profit before Tax	1929.76	3851.37
Less : Exceptional Item	51.00	–
Profit before tax but after exceptional item	1878.76	3851.37
Less : Provision for Current Tax	725.90	1166.16
Less : Provision for Deferred Tax	(161.78)	56.14
Add/(Less) : Previous year adjustment - tax	–	(1.26)
Profit after Tax	1314.64	2627.81
Add : Surplus brought forward	5101.02	3850.70
Add : Debenture Redemption Reserve written back	750.00	8.25
Profit available for Appropriations	7165.66	6486.76
Appropriations :		
Transfer to General Reserve	132.00	300.00
Transfer to Debenture Redemption Reserve	–	425.00
Interim Dividend	732.12	292.85
Proposed Final Dividend	439.27	292.85
Corporate Dividend Tax	158.04	75.04
Surplus carried to Balance Sheet	5704.23	5101.02
Total	7165.66	6486.76

Notwithstanding an increase in film production of 5% and a marginal increase in average selling price of film by about 2% there has been a decrease in EBITDA of about 32% during the year under review resulting from :

a) An uncompensated increase in the raw material cost of about 30% on a per unit basis.

b) Fixed Costs were higher by about 19% on account of following reasons:

   i. Increase in Power and Fuel Costs primarily on account of oil prices increase;

   ii. Increase in Stores and Spares consumption caused by replacement of high value machinery components;

   iii. Increase in Salaries and Wages;

   iv. Increase in Administrative Overheads on account of travelling, professional services and communication costs; and

   v. Loss on Sale of Fixed Assets.

Competitive Pricing Pressures were witnessed in the domestic market resulting from new capacity creation, particularly in the last quarter of the year under review.

Finance Charges were higher on account of prepayment charges for premature redemption of high cost non-convertible debentures.

Depreciation Costs were at the same level as last year.

There is an exceptional charge of Rs.51 Lacs on account of foreign exchange fluctuation on redemption of Preference Shares held by the Company in its subsidiary in Thailand.

The Profit before Tax (PBT) was lower by 51%. The incidence of tax is lower at 30% of PBT as against 32% in the last year on account of reduction in deferred tax liability caused by reduction in corporate tax rate. Proft after Tax was lower by 50%.

2. Consolidated Working Results (Under Indian GAAP)

(Rs. in Lacs)

	2004-05	2003-04
Net Sales and Other Income	58281.01	38148.04
Profit before Interest, Depreciation and Amortisation	13538.41	10926.43
Profit before Tax	9947.63	8001.19
Provision for Tax	567.65	1223.56
Profit after Tax	9379.98	6777.63
Less : Minority Interest	2421.26	0.00
Profit after Tax and Minority Interest	6958.72	6777.63
Earnings Per Share of Rs.10/- Each (Rs.)	47.52	46.29

More details on operations and a view on the outlook for the current year are given in the 'Management Discussion & Analysis Report', which forms a part of the Annual Report.

3. Dividend

During the year an interim dividend of Rs.5.00 per share, including special dividend of Rs.2.00 per share to mark the twentieth anniversary of the Company, (tax free in the hands of shareholders) was paid in November, 2004. The Directors are pleased to recommend payment of a final dividend of Rs.3.00 per share which shall be free of tax in the hands of shareholders. This dividend will be paid after its declaration by the shareholders in the ensuing Annual General Meeting.

4. Subsidiary Companies

a) Polyplex (Thailand) Public Company Limited, Thailand (PTL)

During the year PTL made an Initial Public Offering (IPO) in Thailand of 240 million Equity Shares of Baht 1 each at a price of Baht 6.90 per share inclusive of premium of Baht 5.90 per share, aggregating to Baht 1656 million (US Dollars 42 million approximately). The Equity Shares of PTL are now listed on The Stock Exchange of Thailand. PTL also redeemed Preference Share Capital of Baht 528 million (U.S. Dollars 13.09 million approximately) held by the Company. Subsequent to the IPO the holding of the Company in PTL directly and through its wholly owned subsidiary stands reduced to 70%.

With the production of both the film lines available for the full year, there was a substantial increase in sales and profitability in comparison to the previous year. A comparison of key financials is given hereunder -

(Baht/Million)

	2004-05	2003-04
Net Sales	3262.96	1645.47
Profit before Interest, Depreciation and Tax	849.57	461.15
Profit after Tax	721.02	367.07
Net Worth	3220.02	938.92
Borrowings	Nil	860.30

b) Polyplex (Asia) Pte. Ltd., Singapore (PAPL)

During the year PAPL was incorporated and became a wholly

owned subsidiary of the Company. Your Company holds the entire share capital of PAPL comprising of 1,00,000 ordinary shares of U.S. Dollars 10 each at par and 33,500 Preference Shares of U.S. Dollars 10 each at a premium of U.S. Dollars 270 per share, aggregating to Rs.4814.53 Lacs. PAPL in turn has subscribed to 428 million equity shares of Baht 1 each of PTL at a cost of U.S. Dollars 10.32 million. The market value of this investment as on March 31, 2005 was U.S. Dollars 67.88 million.

c) Polyplex (Singapore) Pte. Ltd., Singapore (PSPL)

During the year PSPL was incorporated and became a wholly owned subsidiary of PTL by investment in 1,00,000 ordinary shares of U.S. Dollars 10 each at par and 36,500 Preference Shares of U.S. Dollars 10 each at a premium of U.S. Dollars 270 per share, aggregating to U.S. Dollars 11.22 million. PSPL is the investment vehicle of PTL for the project currently under implementation in Turkey. The ensuing section gives further details.

d) Polyplex Europa Polyester Film Sanayi Ve Ticaret Anonim Sirketi, Turkey (Polyplex Europa)

With the overall strategy of geographically diversifying manufacturing operations, Polyplex Europa a wholly owned subsidiary of PTL is implementing a PET film line with an annual capacity of 24,000 MT, a Metalliser with a capacity of 4,800 MT and a captive cogeneration power plant with a capacity of 4 MT in European Free Zone in Çorlu, Turkey at an estimated cost of US Dollars 50 million. With this location Polyplex Europa will have ready access to an existing large market in Western Europe. The location will act as a bridge between Asia and Europe and shall also service the Middle East, Russia/CIS and Central and Eastern Europe markets.

The cost of the project is being met by contribution by PTL/its subsidiary and borrowings under Hermes Insurance financing.

The project is progressing well as per schedule and is expected to commence commercial operations by October/November 2005.

A statement pursuant to Section 212 of the Companies Act, 1956 relating to subsidiary companies is attached.

5. Consolidated Financial Statements

Audited Consolidated Financial Statements for the year ended March 31, 2005 under Indian GAAP are attached.

6. Directors' Responsibility Statement

As required under Section 217 (2AA) of the Companies Act, 1956, your Directors confirm that: -

i) in the preparation of the annual accounts, the applicable accounting standards have been followed;

ii) the accounting policies selected and applied are consisteaant and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on March 31, 2005 and of the profit of the Company for the year ended on that date;

iii) proper and sufficient care has been taken for the 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) annual accounts have been prepared on a 'going concern' basis.

7. Other Statutory Information

Information as required by Section 217 (1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and Section

217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules 1975, are given in the Annexure to this Report.

The Central Government vide their letter No. 47/187/2005-CL-III dated May 27, 2005 under Section 212(8) of the Companies Act, 1956 has exempted the Company from the provisions of Section 212(1) of the Companies Act, 1956, requiring to attach a copy each of the Balance Sheet, Profit and Loss Account Report of the Board of Directors and the Report of the Auditors of the subsidiary companies.

The Company will make available these documents/details upon request by any investor of the Company and its subsidiaries interested in obtaining the same. The annual accounts of the subsidiary companies are also kept for inspection by any investor at the registered office/head office of the Company and its subsidiary companies.

Consolidated Financial Statements presented by the Company pursuant to Accounting Standard AS 21 issued by The Institute of Chartered Accountants of India, include the financial information of the subsidiaries.

8. Directors

Shri O.P. Mehra and Dr. Suresh Surana retire by rotation and offer themselves for re-election.

Shri Sanjiv Chadha was co-opted as additional director w.e.f. June 17, 2005 and holds office till the date of ensuing Annual General Meeting. A notice together with necessary deposit from a member of the Company signifying his intention to propose Shri Sanjiv Chadha as a candidate for the office of Director has been received pursuant to Section 257 of the Companies Act, 1956.

9. Corporate Governance

As per Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section on Corporate Governance Practices followed by the Company together with a certificate from the Company's Auditors Confirming Compliance is set out in the Annexure forming part of this report.

10. Auditors

The Company's Auditors M/s. Lodha & Co., Chartered Accountants, retire at the forthcoming Annual General Meeting and being eligible, are willing to be re-appointed.

11. Depository System

Your Company's equity shares are being traded in 'demat' form by all investors since April 30, 2001. Shareholders of the Company who are still holding shares in physical form are advised to get their physical shares dematerialised by opening an account with one of the Depository Participants.

12. Acknowledgement

Your Directors wish to place on record their appreciation of the wholehearted and sincere cooperation the Company has received from the various departments of Central/State Government, Financial Institutions and the Bankers to the Company. Your Directors also wish to place on record their appreciation of the dedicated and sincere services rendered by the employees of the Company.

For and on behalf of the Board

Place : NOIDA
Date : June 17, 2005

SANJIV SARAF
CHAIRMAN

Annexure to the Directors' Report

(Additional information given in terms of Notification 1029 of 31-12-1988 issued by the Department of Company Affairs)

A. CONSERVATION OF ENERGY:

As a result of the Energy Audit conducted by external experts, following energy saving schemes were identified and implemented :

- Replaced Condenser water pump in utilities by energy efficient pumps.
- Optimizations of AHU flow and accordingly reduced the size of motor.
- Depending upon torque and running load, star delta motors converted to star.
- Utilization of direct condensate return in steam boiler from chips plant.
- Reduced pulley size of conveying blowers.
- Improved overall power factor of incoming power to reduce the losses

B. RESEARCH & DOVELOPMENT (R&D)

Following R & D activities carried out in the year 2004-05 led to improved quality & better productivity :

1. Commercialization of chemical coated PET film for retort and sterilization application for domestic and export market.
2. Metalization on chemical coated PET film in order to increase film metal bond strength for new product/ application development in flexible packaging sector.
3. 50 Micron matt film for FRP/GRP application to explore export market.
4. 50 Micron white opaque film for lidding and label application in domestic and export market.
5. Development of Chemical coated film for Off Line Silicone coating application.
6. Specialized Low haze film with high friction property on one side.

C. TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

Installed and commissioned 2 Nos.1100 KVA and 1 No. 1670 KVA Dynamic UPS system to utilize cheaper grid power in place of Diesel based power.

D. FOREIGN EXCHANGE EARNINGS AND OUTGO

Earned : Rs. 8409.56 Lacs
(Rs. 6257.96 Lacs)
Used : Rs. 3255.04 Lacs
(Rs. 1296.85 Lacs)

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies :

1		Name of the Subsidiary Company	Polyplex (Asia) Pte. Ltd., Singapore	Polyplex (Thailand) Public Company Limited, Thailand	Polyplex (Singapore) Pte. Ltd., Singapore	Polyplex Europa Polyester Film Sanayi Ve Ticaret Anonim Sirketi, Turkey
2		Financial Year of Subsidiary Company ended on	March 31, 2005	March 31, 2005	March 31, 2005	March 31, 2005
3	a	No. of shares held at the end of the financial year	1,00,000 Ordinary Shares of US Dollars 10 each and 33,500 Preference Shares of US Dollars 10 each. Entire share capital is held by Polyplex Corporation Ltd.	13,20,00,000 Equity Shares of Baht 1 each directly held by Polyplex Corporation Limited and ; 42,80,00,000 Equity Shares of Baht 1 each held by Polyplex (Asia) Pte. Ltd.	1,00,000 Ordinary Shares of US Dollars 10 each and 36,500 Preference Shares of US Dollars 10 each. Entire share capital held by Polyplex (Thailand) Public Company Limited	13,00,000 shares of YTL 5 each . Entire share capital held by Polyplex (Singapore) Pte. Limited
	b	Extent of Interest at the end of the financial year	100%	70%	70%	70%
4		Net Aggregate amount of Profit/(Loss) of the Subsidiary Company so far as it concerns the Members of the Holding Company	(Rs.5.35 Lacs)	Rs.5629.23 Lacs	(Rs.14.35 Lacs)	(Rs.98.06 Lacs)
	a	Not dealt with in the accounts of the Holding Company – for the subsidiary's Financial Year ended March 31, 2005 – for the previous Financial Years	(Rs.5.35 Lacs) N.A.	Rs.5629.23 Lacs Rs.4094.01 Lacs	(Rs.14.35 Lacs) N.A.	(Rs.98.06 Lacs) N.A.
	b	Dealt with in the accounts of the Holding Company – for the subsidiary's Financial Year ended March 31, 2005 – for the previous Financial Years	Nil N.A.	Nil Nil	Nil N.A.	Nil N.A.

Statement showing particulars of employees of the Company required u/s 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Board of Directors Report for the year ended March 31, 2005

Name	Designation	Age Years	Qualifications	Date of Joining	Experience Years	Remune ration(Rs)	Last Employment
Ranjit Singh	President (Film Business)	48	B.E. (Mech.) PGDBM	13.11.1996	23	29,00,400	SRF Ltd. Dy. General Manager Marketing & Planning

Notes:

1. Remuneration includes salary, performance award, actual expenditure incurred in connection with the residential accommodation, reimbursement of medical expenses, LTA, contribution to Provident Fund and Superannuation Fund and value of perquisites calculated in accordance with the rules framed under the Income Tax Act, 1961.
2. Above employee does not hold more than 2% of the paid up capital of the Company nor is a relative of any Director.

Management Discussion and Analysis

1. INTRODUCTION

Your Company is engaged in the manufacture and sale of Polyester (PET) Film with an installed capacity of 20,000 TPA at its Works located at Khatima, Distt. Udham Singh Nagar, Uttaranchal. In addition, it has an installed capacity of 20,000 TPA of PET Chips for captive consumption and 4800 TPA of Metallised Film at the same location.

Polyplex (Thailand) Public Company Limited (PTL), the Company's subsidiary operates two thin film lines with the first line having been commissioned in April 2003 and the second one in November 2003. During the year two chips plant were commissioned successfully - a batch process plant with a capacity of 7000 TPA in September 2004 and a continuous process plant with a capacity of 45500 TPA in February 2005. With this PTL is now self sufficient for PET chips for captive consumption.

Polyplex Europa Polyester Film Sanayi Ve Ticaret Anonim Sirketi (PE), PTL's wholly owned subsidiary is setting up a PET Film line with an annual capacity of 24000 TPA, a metalliser with a capacity of 4800 TPA and a captive co-generation power plant with a capacity of 4 MW. The film plant is expected to commence production in October 2005.

2. PRODUCT

PET film is a high performance film made from polyethylene terephthalate resin (generally known as Polyester Chips), which in turn is produced from dimethyl terephthalate (DMT)/polyethylene terephthalic acid (PTA) & mono-ethylene glycol (MEG).

The five main categories of PET film applications are as under:

(a) Packaging: Commodity films and specialty film used primarily for flexible packaging.

(b) Imaging: Printing films- layout base, masking film and printing plates, as well as reprographic, microfilms etc.

(c) Electrical: Wire and cable wrap, membrane switches, flexible printed circuits, capacitors and motor insulation.

(d) Magnetic media: Audio and video tape, as well as computer tape and floppy discs.

(e) Others (Industrial): Primarily Industrial comprises of Hot stamping foils, photo-resist, labels and many more.

Another broad categorization made by the industry is Thin (including Magnetic media) and Thick films. Your Company operates in the thin film segment focusing on the Packaging, Industrial and Electrical (PIE) segments.

3. INDUSTRY SCENARIO

(a) Global

DEMAND

The worldwide merchant market of PET film in 2004 was estimate at 1.47 million tons, up from 1.10 million tons in 1999, which represents a CAGR of 5.79%. Of this market, about 80% of demand is estimated to be driven by thin films. The sector with highest demand for thin PET film is packaging, followed by industrial and electrical films respectively. Their combined demand accounted for 70% in 1999, rising to 85% in 2004, with a cumulative growth of 50% during 1999-2004. Electrical recorded the highest growth of 83%, packaging 64% and industrial 45%. The CAGR for these segments between 1999 and 2004 has been 9.79%.

Classified by region, demand for PET film was the highest in North America, West Europe and Japan, accounting for 30%, 20% and 20% of world consumption respectively in 1999. Later, consumption by 'Other Asian' countries leveled up to the extent over that by Western Europe and Japan. The region became the 2nd largest consumer of PET film in 2001 and the largest

Source : Company Data

in 2004. In 2004, 'Other Asian' countries demand for PET film accounted for 30% of world demand, followed by America and Japan with 22% and 18% respectively.

Source : Company Data

SUPPLY

The global merchant capacity for PET film in 2004 was 1.84 million tons, up from 1.45 million tons in 1999, which represents a CAGR of 4.8%. Thin film capacity was estimated at 1.4 million tons in 2004, about 77% of the total. Since 1999, there has been a shift of production towards Asian markets (excluding Japan and Korea) whereas the capacity in all the other markets has remained largely unchanged.

Classified by region, 'Other Asia' had the highest capacity in 2004. Its portion compared to total capacity was 39.50%, followed by Korea and America with 16.14% and 16.10% respectively. During 1999-2004, Other Asia also was the region that had the highest growth rate of PET film production capacity with growth rate of 87% due to the setting up of new lines by existing and new manufacturers in India, China and other developing countries in Asia.

Source: Industry estimates
Thin film: ≤ 36 micron (μ) Thick film: > 36 micron (μ)

(ii) Industry Structure and Evolution

After a period of PET film shortage in the mid-90's, which led to high profitability for all producers worldwide, the industry saw a huge capacity build up resulting in a

significant oversupply situation. Competitive pressure further aggravated by the East Asian currency crisis in mid-1997 led to a severe erosion of prices to unprecedented levels and all producers of PET film went through an extremely difficult period between 1997 and 2000. Limited capacity creation, large-scale consolidation as also the rationalization of capacity by closure of uneconomic old lines by some players, helped restore a semblance of stability to the PET film markets worldwide towards the end of 2000.

With proliferation of technology and capacity, the emphasis has moved to evolving a competitive cost structure. This, along with increasing concerns on optimizing return on capital has led to consolidation among the World 'Majors' and has created businesses which are truly global in scope in terms of capacity, geographical reach and product offering.

Large capacity additions are planned/ under implementation in China as a result of which it is expected that the capacity there will go up from around 136,000 MT in 2003 towards 500,000 MT in 2007 which can result in supply-demand imbalance in the next two years, if the new entrants are successful in achieving good quality and operating levels.

There are currently three distinct classes of PET film manufacturers classified by size of production capacity:

- World majors with production capacity of over 100,000 tons per year (e.g. Dupont-Teijin, Mitsubishi, Toray and SKC)
- Mid-size players with production capacity between 50,000 - 100,000 tons per year (e.g. Kolon, Polyplex, Cifu and Jindal) and
- Small/local producers with production capacity of less than 50,000 tons per year

Demand for PET film for magnetic media application has been high in the past, prompting major producers to focus on this segment. Competition in the magnetic media segment is thus confined only to these majors based on their long and well established expertise and experience.

For other PET films including thin film, competition is seen among all groups of producers thanks to the consistently rising demand, especially for thin film which is used in packaging, industrial and electrical segments where healthy growth of demand is recorded. Thus small and mid sized producers (including Polyplex group) have expanded their capacity to cope with the increasing demand in these segments. This can lead to higher market share by some small and mid sized producers in various countries which have enhanced production capacity.

(iii) Current Scenario

The industry is currently witnessing high capacity utilization with operating rates in Thin film higher than Thick film. With capacity growing faster than incremental demand especially in Thin films, the capacity utilization in the industry is likely to come down in the next few years.

(iv) Trade Actions

International trade in PET film has been prone to trade actions particularly in Europe and U.S.A. where there are large imports. A chronological list of such actions and their current status is given hereunder:

Year	Action	By	Against	Results
1988	Dumping	EU	Korea	Terminated without any measures
1990	Dumping	EU	Korea	Terminated without any measures
1991	Dumping	USA	Korea & Japan	Duties imposed, but over years are now minimal for Korea and the order was revoked with respect to Japan in 1995
1995	Dumping	EU	Korea	Terminated without any measures
1998	GSP Removal	USA	India	Preferential status removed and normal duty of 4.2% imposed
1999	Subsidy	EU	India	CV duties between 3-19% imposed
2000	Dumping	China	Korea	Duties between 13-46% imposed
2000	Dumping	India	Korea & Indonesia	Duties between 0.16-0.92 $/kg imposed
2000	Dumping	EU	India & Korea	Duties between 0-67% on Indians and 3-12% on Koreans imposed, Price Undertaking from Indian exporters accepted at margin elimination level
2002	Dumping & Subsidy	USA	India & Taiwan	Duties between 19-30% on Indians and 2-3% on Taiwanese imposed
2002	Subsidy	Brazil	India	No duties imposed due to lack of injury
2003	Dumping	Brazil	India	Case withdrawn
2004	GSP Removal	USA	Thailand	Removal of Preferential status- results in imposition of normal duty of 4.2%

Details on the impact of these developments on the Company's working are given later in this Report.

However, an analysis of the history of the various cases till date shows that while initial duty rates may be high, exporters tend to incorporate the appropriate monitoring mechanisms and modify sales practices, following which these duty rates are substantially reduced, if not eliminated altogether.

(v) Conclusion

The overall global market scenario can be summed up as under:

- Industry information indicates that several thin film lines in China are being set up, which if all operationalised could have a potentially destabilizing influence. However, how fast they are able to operationalize and achieve quality standards as per international norms needs to be seen.
- The cyclical nature of the industry would continue.
- Dominance of the three Japanese/U.S. Corporations who currently control 50% of the market is likely to continue though with a reducing share of the global capacity. However, decline in their traditional market segments as also relatively slower growth in their home markets has constrained their ability to improve viability of their PET film operations. Lowering manufacturing costs through acquisitions and joint ventures in the low cost Asian countries, rationalization of capacity and continued emphasis on technology intensive niche products could be an important strategic response.
- Most of the new capacity will be built in Asia because of lower capital and manufacturing costs and higher growth rates in this region.
- The transitioning of the industry to Asia will increase competitive pressure in the years to come.
- Demand is likely to continue to grow between 5% and 10% in the packaging, industrial and electrical segments.

- The current state of the demand-supply balance presents growth opportunities for companies which are:
  - Cost competitive and can match quality requirements in the packaging and industrial segments.
  - Focused with a good understanding of the markets.
  - Have a global outlook.
  - Have a good distribution reach.

(b) Domestic

The domestic market is currently estimated to be 130,000 MT mainly comprising of thin films (excluding magnetic media).It is estimated that the domestic market has grown at an annual rate of 15-20% in the last five years, largely on account of the increase in demand for thin films, with packaging being the dominant application and driver of growth.

In addition to the domestic demand, the Indian manufacturers have historically exported 50-60,000 MT of PET film annually. However, the exports to US and EU from India have declined in the recent past due to the growth in the domestic markets and the imposition of AD/ CVD duties.

The total installed capacity at the end of 2004-05 is estimated at about 271,000 tonnes, which comprises 39,000 tonnes of thick film and 232,000 tonnes of thin film.

The commissioning of two lines with a capacity of 45,000 TPA in the past few months has impaired operating margins.

It is relevant to point out that Polyplex's current exposure to the Indian markets during the year under review is limited to 20% of its consolidated sales by volume. This will go down further after the commissioning of line in Turkey later this year.

4. POLYPLEX'S POSITION

Your Company has built its competitiveness over the years based on the following:

- Geographically diversified manufacturing locations enhancing servicing capabilities and accessing the benefits of regional trading blocs.
- Low project costs.
- High operating rates.
- Low overheads.
- Strong customer relationships.
- Focus on the high growth segments.
- Stable management team.

This is reflected in any comparison of the financials of the domestic PET film manufacturers.

* *Some of the Companies operate in other business segments also, which have not been excluded due to lack of availability of segmental data for all the years.*

Above Chart compares the Company's consolidated EBITDA margin with the four largest competitors in India. Your Company's margins have been consistently superior to its competitors in India.

5. REVIEW OF OPERATIONS

(a) Income Statement

The abridged Consolidated Profit and Loss statement for the financial year ended March 31, 2005 is given below:

Consolidated Profit & Loss Account

	2004-05 Rs. in Lacs	2003-04 Rs. in Lacs	YoY Change (%)
Net Sales	57030	37273	53%
Other Income	1251	875	43%
Earnings before Interest, Depreciation & Tax (EBITDA)	13538	10926	24%
Interest Costs	1475	1253	18%
Depreciation	2065	1672	24%
Profit before Tax and Exceptional item	9998	8001	25%
Exceptional Item	51	0	
Profit before Tax	9947	8001	24%
Provision for Current Tax	729	1166	-37%
Provision for Deferred Tax	-162	56	-389%
Previous Year adjustment-Tax	0	-1	
Profit after Tax (PAT)	9380	6778	38%

The Consolidated profitability figures for 2004-05 include figures for PTL & PE.

PTL accounted for 65% of the total sales volume. With the availability of both the Film lines in Thailand for the full year under review, there has been a significant step-up in the size of the Company's operations.

The abridged Stand-alone Profit and Loss statement for the financial year ended March 31, 2005 is given below:

Abridged Stand-alone Profit and Loss statement

	2004-05 Rs. in Lacs	2003-04 Rs. in Lacs	YoY Change (%)
Net Sales	20529	18625	10%
Other Income	878	438	100%
Earnings before Interest, Depreciation & Tax (EBITDA)	3838	5674	-32%
Interest Costs	990	902	10%
Depreciation	918	922	0%
Profit before Tax and Exceptional item	1930	3851	-50%
Exceptional Item	51	0	
Profit before Tax	1879	3851	-51%
Provision for Current Tax	726	1166	-38%
Provision for Deferred Tax	-162	56	-389%
Previous Year adjustment-Tax	0	-1	
Profit after Tax (PAT)	1315	2628	-50%

i) Production and Sales Volume (stand-alone operations)

During the year under review the Company was able to achieve a higher production volume at 20,075 MT an increase of 5% of the previous year. This can largely be attributed to the productivity initiatives like Total Productive Maintenance (TPM) and de-bottlenecking undertaken at the plant.

Sales volumes increased by 9% over the previous year continuing to be constrained by the lack of production capacity. Exports volumes constituted 36% of sales in volume terms.

ii) Selling Price and Value Addition (stand-alone operations)

Higher raw material prices and depressed domestic selling prices, especially in the last two quarters, resulted in lower value addition. Export volumes were increased to offset the loss due to steep fall in domestic selling prices.

iii) Profitability (stand-alone operations)

In view of lower value addition, especially in the last 2 quarters, operating profit (EBITDA) in 2004-05 was 32% lower than in 2003-04.

Fixed Costs were higher by about 19% on account of following reasons:

a) Increase in Power and Fuel Costs primarily on account of oil prices increase;

b) Increase in Stores and Spares consumption caused by replacement of high value machinery components;

c) Increase in Salaries and Wages;

d) Increase in Administrative Overheads on account of travelling, insurance and communication costs; and

e) Loss on sale of fixed assets.

The interest costs were higher during the year by 10%. In addition, the charge on account of Exceptional item - loss on redemption of preference shares of Rs.51 Lacs, resulted in a drop in Profit before Tax by 50%.

The effective tax rate (excluding deferred tax) for the Company has increased to 39% due to disallowance of exceptional item and other expenses in the nature of capital loss. Accordingly, the distributable profit has decreased by 50%.

(b) Cash Flows

The Consolidated cash flows for the Company for the year 2004-05 are as follows:

Particulars	2004-05 Rs. in Lacs	2003-04 Rs. in Lacs
A) INFLOWS		
Operating Profit	13569	10905
Issue of Share Capital	17962	0
Net changes in loan funds	-7878	4368
TOTAL (A)	**23652**	**15273**
B) OUTFLOWS		
Increase in Investments	698	779
Net Additions to Fixed Assets	9075	8839
Working Capital Changes	6073	3559
Net Interest/Dividend Payments	2390	1642
Direct Tax Payments	910	1263
Movement in Loans & Advances	0	-50
Change in Currency Fluctuation reserve on account of consolidation	235	-90
Net Increase in Cash	4272	-669
TOTAL (B)	**23652**	**15273**

The strong operating cash flows have helped in minimizing the increase in the debt position for the Company.

PTL has in December 2004, made a successful Initial Public Offering of 240 million shares of 1 Baht each at a premium of 5.90 Baht per share aggregating to 1656 million Baht.

The consolidated cash flows also reflect the increase in Fixed assets at PTL consequent to the commencement of chips plant & also project outlay in PE, Turkey.

Scalling up of operations resulted in an increase in net current assets.

The stand-alone cash flows of the Company during the period under review were as under:

Particulars	2004-05 Rs. in Lacs	2003-04 Rs. in Lacs
A) INFLOWS		
Operating Profit	3908	5653
Redemption of Investment in Subsidiary	5899	0
Net changes in loan funds	1627	761
TOTAL (A)	**11434**	**6414**
B) OUTFLOWS		
Investment in Subsidiary	5553	2698
Increase/(Decrease) in Investments	-477	779
Net Additions to Fixed Assets	1179	345
Working Capital Changes	2102	856
Net Interest/Dividend Payments	1994	1265
Direct Tax Payments	907	1263
Movement in Loans & Advances	0	-50
Net Increase in Cash	177	-741
TOTAL (B)	**11434**	**6414**

During the year the Company's investment in the preference shares of PTL aggregating to Rs. 5940 Lacs was redeemed at par. The Company also invested Rs. 5553 Lacs in its subsidiaries - Polyplex (Asia) Pte. Ltd. (PAPL) & PTL.

On account of higher export mix Company's receivables increased at year end.

During the year, the Company retained its rating of PR1+ for its short term borrowings programme for Rs. 15 Crores and for long term paper it was upgraded from AA- to AA for value of Rs. 52 Crores by Credit Analysis & Research Ltd. (CARE).

Working Capital financing was optimised with the use of dollar denominated instruments.

(c) Balance Sheet

The Consolidated Balance Sheet for the 2004-05 is given below:

Particulars	2004-05 Rs. in Lacs	2003-04 Rs. in Lacs
CAPITAL & LIABILITIES:		
Shareholders' Fund	30453	15451
Minority Interest	10774	0
Loan Fund	10003	17881
Deferred Tax Liability (Net)	1718	1880
TOTAL	**52948**	**35212**
ASSETS:		
Net Block (incl. CWIP)	35365	28127
Investments (incl. Share Application Money)		
– Long Term	7	37
– Short Term	1534	800
Net Current Assets		
– Cash & Bank Balance	4868	596
– Others	11174	5652
TOTAL	**52948**	**35212**

The term debt-equity ratio as at March 31, 2005 was 0.08 : 1.

The summarized stand-alone Balance Sheet of the Company for the last two financial years is given below:

Particulars	2004-05 Rs. in Lacs	2003-04 Rs. in Lacs
CAPITAL & LIABILITIES:		
Shareholders' Fund	11594	11609
Loan Fund	10003	8376
Deferred Tax Liability (Net)	1718	1880
TOTAL	**23315**	**21865**
ASSETS:		
Net Block (incl. CWIP)	10452	10535
Investments (incl. Share Application Money)		
– Long Term	6309	6737
– Short Term	410	800
Net Current Assets		
– Cash & Bank Balance	482	305
– Others	5662	3488
TOTAL	**23315**	**21865**

An analysis of the Balance Sheet reveals a stable and healthy financial position. Notwithstanding the debt increase, the debt-equity ratio of the Company continues to be comfortable at 0.68: 1.

(d) Key Financial Ratios

The key financial ratios on a consolidated basis for 2004-05 are given below and include the figures for PTL.

Particulars	Year 2004-05	Year 2003-04
Debt - Equity Ratio *	0.08	0.95
Term Debt/EBITDA	0.50	1.43
Interest Cover (PBIT/Interest)	7.78	7.39
ROCE	26.0%	30.8%
RONW (Net Profit after Minority Interest/Average Net worth excluding Minority Interest)	28.1%	47.6%

* *Equity includes Minority interest and Deferred Tax Liability. Debt excludes cash and short term investments.*

With the successful placement of IPO the net worth of the Company has increased substantially. As a result Return on Net Worth has come down. With the start up of operations in Turkey, the Return on Net Worth is likely to increase in the coming years.

Some of the key financial ratios of the standalone operations for the last 2 financial years are given below:

Particulars	Year 2004-05	Year 2003-04
Debt - Equity Ratio *	0.68	0.54
Term Debt/EBITDA	1.78	1.08
Interest Cover (PBIT/Interest)	2.95	5.26
ROCE	12.9%	23.2%
RONW *	9.8%	21.1%

* *Net Worth includes Deferred Tax Liability. Debt excludes cash and short term investments.*

Due to competitive pricing pressures there has been a reduction in the Operating Margin of Indian operations & accordingly the interest cover, ROCE & RONW have come down during the year.

6. HUMAN RESOURCES & SYSTEMS INITIATIVES

(a) Human Resources

Continuing with the efforts towards enhancement of the effectiveness and quality of the human capital this year the Company further consolidated its people related

processes by implementing the recommendations of Hewitt Associates, who had conducted ceretain studies for the Company in 2002-03 and 2003-04. The Company moved to the profit centre based model and also introduced the Balance Scorecard Approach to set measurable organizational and individual performance goals. To improve individual and team performances, the performance management program was revamped. Group performance reviews were carried out and variable pay compensation was linked to the organizational performance.

To ascertain exact manning levels the Company also carried out manpower assessment studies at Thailand and Turkey with the help of ECS Limited, HR Consultants resulting in right sized cost effective operations. Furthermore, scientific recruitment tools are being used to ensure optimal recruitment processes.

Your Company also strengthened its management team by adding few more senior level officials and concrete efforts were made to attract and retain talent for its expansion programmes. Existing skilled manpower was redeployed to Turkey in a planned and supported manner. Additionally, the recently hired resources are being currently trained in our plants at Thailand and India. Thus when the operations start, there will be adequate resources to shoulder the responsibilities effectively.

Labor relations at India and Thailand continue to be cordial and constant efforts are underway to design proactive and contemporary HR policies catering to the ever changing needs of the people.

(b) Systems Initiatives

During 2002, the Company had implemented an Enterprise Resource Planning (ERP) solution, SAP - R/3, in order to enhance transparency, improve the responsiveness to customers, manage processes more efficiently and streamline the production planning and controlling process. The benefits of this initiative have started yielding results. After having gained sufficient experience in India, it is proposed to extend the programme to Thailand as well as the proposed expansion in Europe so as to achieve a complete integration of activities.

TPM has continued to yield significant results in operational improvements, reduction of wastage and organization learning.

7. ANTI-DUMPING/ANTI-SUBSIDY ACTION IN THE EUROPEAN UNION AND U.S.A.

(a) European Union (EU)

1. The current normal import duty level on PET film imported into the EU countries from India is effectively 3.50%.

   Based on complaints by European PET film producers the European Commission (EC) carried out investigations against Indian exporters and levied Countervailing duties towards the end of 1999. In the case of Polyplex, a Countervailing duty of 19.1% was imposed.

2. These countervailing duties are applicable for a period of 5 years. On December 10, 2004, the European Commission (EC) initiated an expiry review of the countervailing measures. The scope of expiry review is limited to the determination of the continuation of likelihood of the recurrence of subsidization. EC decided to do an investigation based on sampling. On January 27, 2005 four companies (viz. Ester Industries Limited, Flex Industries Limited, Garware Polyester Limited & Jindal Poly Films Limited) were selected for an examination of the continuation or recurrence of

subsidization. The review is currently under progress.

3. In May 2000, the EC also initiated an Anti-dumping investigation against imports of PET films from India and South Korea and imposed Anti-dumping duties on Indian and Korean exporters. The anti-dumping duty applicable to Polyplex is 38.6%.

4. Subsequently, Price Undertakings were given by the Indian manufacturers, which seek to neutralize the dumping duties established for each exporter by stipulating minimum prices (at the Ex-factory levels) on a product-wise basis to be achieved by each exporter on its export sales to the EU. It must be added that the CVD/ normal duties are still to be paid on exports to the EU.

5. The Company's request to extend the Price Undertaking to the CVD has not yet been formally disposed by the European Commission.

6. The EC has, in November 2003, initiated a partial interim review of the AD measures, which could possibly lead to a revocation of the provision for price undertaking. All the responses have been filed in time. Further developments are awaited.

7. In February 2004, the EC initiated an investigation into the possible circumvention of AD and CVD measures on the import of PET film originating in India, by import of PET film consigned from Brazil and Israel. In November 2004, the Commission made its final determination and anti-dumping measures on imports of PET film from India were extended to imports of PET film consigned from Brazil or Israel, whether declared as originating in Brazil or in Israel or not, with the exception of two companies in Brazil & Israel for which on-site verification was conducted.

8. On January 4, 2005 following a complaint filed by Dupont Teijin Films, Mitsubishi Polyester film & Nuroll SpA, the European Commission initiated a partial interim review of AD measures. The scope of this review has been limited to five Indian exporting producers including Polyplex from whom price undertaking were accepted by the Commission and to the level of residual duty.

   The Company has filed all the responses in time & has also fully cooperated in the on-spot verification. Further developments are awaited.

9. The AD and CVD measures against the Company are limited to exports from India and are not applicable for exports by the Company's subsidiary in Thailand.

(b) U.S.A.

1. In June 2002, the US Department of Commerce (DOC) issued a notice in the Federal Register imposing final Anti-dumping and Countervailing Duties against import of PET film from India as follows:

   a) Countervailing Duties: Between 18.43% & 24.48%. The applicable rate for your Company was 18.66%.

      In the Final determination of the first administrative review, the DOC had computed CVD rates of 20.62% for 2001 and 19.62% for 2002.

      In August 2004, the DOC initiated Second Administrative review of the CVD order. Proceedings are currently underway.

   b) Anti-dumping (AD) duties: Between 0% & 5.68%. No anti-dumping duty has been

levied on imports from your Company. The Petitioners had appealed to the Court of International Trade (CIT) against DOC's treatment of the subsidy margins in arriving at the AD duty and thereby the exclusion of the Company from the AD order. Subsequently the court twice remanded back the case to the DOC. In June 2004, CIT made its final decision in favor of the Petitioners and Polyplex was included in the AD order with 0% AD duties. Polyplex filed an appeal against the CIT decision to Court of Appeals of the Federal Circuit (CAFC) in August, 2004.

On May 12, 2005 final results were announced by the CAFC. The court affirmed the decision of CIT sustaining the inclusion of Polyplex within the scope of the Commerce AD duty order. The impact of the Order shall only be prospective in nature and not retroactive.

2. The impact of these duties, if any, is likely to be limited going forward on account of the following reasons:

   a) It is important to note that in the US as distinct from the E.U., the duties announced following the investigation only set the cash deposit rate with the actual duties being recomputed based on the actual level of dumping or availing of subsidies as established in subsequent annual reviews, and shortfall/excess would be collected/refunded with interest. With the gradual reduction and proposed phasing out of the Duty Entitlement Passbook Scheme (DEPB), which forms the principal component of the alleged subsidies, the assessed level of subsidies would be henceforth substantially lower than the finding for the period of investigation.

   b) Past experience shows (in the Korean and Japanese PET film case in the US) that exporters implement effective monitoring mechanisms, which brings down the dumping/subsidy margins progressively and in a very substantial manner.

3. Following a petition filed by the domestic industry in the US in September 2003, the United States Trade Representative had initiated an investigation for removal of Preferential status to Thailand. The decision went in favour of the domestic industry and effective July 1, 2004 GSP benefit has been removed on the import of PET film from Thailand. Thus exports from Thailand to US are subject to a duty of 4.2% as against a nil rate earlier.

4. These AD and CVD measures are not applicable for PTL.

8. EXPANSION PLAN

Consistent with its overall strategy of diversifying its manufacturing operations, last year your Company had decided to put up a new film line in Europe with a capacity of 24,000 TPA in Turkey. Work on Plant construction is at an advanced stage. The plant is expected to commence production in October 2005. The investment would be in the vicinity of US $ 50 million, inclusive of Metalliser, Co-generation Power plant & working capital.

With this location, your Company will have ready access to an existing large market in Western Europe where no new capacity is being built notwithstanding a continued growth in the market. This market also imports significant

quantities. In addition, the unit would be in a position to access markets in Russia, CIS and Central and Eastern Europe, which though small currently, have a lot of potential given the stage of economic growth of these regions. Further, the countries around the Mediterranean rim are another possible destination for the output.

This project would be a key element in the plan to build a global footprint and associate with dominant customers in the converting and industrial segments. Savings in freight and duty and likely better pricing would offset the higher operating costs of a manufacturing set up in Turkey.

A decision has been taken to set up a chips plant in Turkey to meet captive requirements.

Based on our initial experience at the new location and market conditions, plans call for subsequent setting up of another line alongside the proposed unit so that there is a facility similar to that in Thailand.

9. OTHER PROJECTS

(a) An offline coating project with an investment of approximately Rs. 16 crores (excluding working capital) is currently under implementation at the plant in India. The product is primarily aimed at exports and will help broaden the product portfolio. It is likely to be commissioned by the end of the ongoing financial year and will be financed by a mix of long-term loans and internal generations.

(b) A metalliser is currently under commissioning in Thailand.

10. BUSINESS ALLOCATION

With a view to balancing the interests of the shareholders in the Thai subsidiary and the shareholders in India, the Company has adopted the following policies:

(a) Market Segmentation Policy

Main features affecting the allocation methodology of sales between PCL & PTL are as under:

i. Product Range: Products which are not common can be sold by PCL or PTL anywhere.

ii. Logistics: Proxomities and quicker deliveries.

iii. Landed Cost: Customers will be served based on lower delivered costs including Freight, duties etc.

iv. Credit Limits of customers fixed by Export Credit Insurance companies in India & Thailand.

v. Off-Grade material will be sold based on generation of such material at each plant in China/ India.

vi. Availability of material to fulfill customer requirement as an exception only.

Any major variation from the policy would be reported to the Boards of both PCL & PTL, who will review the adherence of this policy. Based on the same, PTL would be servicing North American, EU, South East Asia, Far-East, Australia/NZ, China and Pakistan. PCL would be servicing South Asia, Middle-East, Africa and CIS/Russia. After start up of the Turkey project, Europe, Africa, Middle East and CIS/Russia markets would be serviced by the new plant.

(b) Future Investment Policy

PCL will undertake investments in India/SAARC region only either directly or through its subsidiaries. All other investments will be done by PTL either directly or through its subsidiaries.

11. RISK MANAGEMENT

(a) Industrial cycles

The volatility in earnings resulting from the cyclical nature of the business is a concern. This stems from the fact that capacity additions tend to be bunched whereas the growth in demand is more even.

Your Company has sought to mitigate this risk through a number of actions and initiatives. Some of the steps are:

i) Your Company believes that it is one of the lowest cost producers of PET film in the world. It seeks to constantly strengthen this position. Measures to this end include:

- With no investments in fresh capacity, production at the plant at Khatima has increased from 12,398 MT in 1998-99 to 20,517 MT in the year under review, an increase of 65%. A further improvement in the current year is anticipated. Programs like TPM have been critical to this success.

  Production in Thailand has shown consistent improvement.

- Important elements of the cost structure-apart from raw material cover packing, power and fuel and freight. Sustained efforts are underway to exercise control on these costs.

- With the commissioning of Chips plant in Thailand and the metalliser plant currently under implementation there, the incidence of fixed costs on a per unit basis is set to decline further.

- During the year Uninterrupted Power Supply (UPS) was installed at India plant with a capital outlay of Rs. 868 lacs. Installation of UPS would allow us to use more grid power from Uttaranchal Power Corporation Limited (UPCL) which is cheaper than self-generated power.

ii) Several initiatives are underway to broaden the product portfolio, including the development of metallized film and certain other value added films.

iii) Manufacturing facilities in Thailand enable quick access to the fast growing Asia-Pacific region. There is a preferential duty treatment in some countries within the ASEAN region.

iv) Accessing customers operating across countries in the flexible packaging and industrial segments by presenting alternative sourcing options from India, Thailand & Turkey and thereby mitigating their risks. This enables a more stable pricing regime.

v) Deepening of the distribution reach is an important objective, which is sought to be accomplished by an appropriate mix of channel partnerships, direct presence and dealer representation and strengthening of the sales team.

vi) Your Company has in the past built strong relationships with customers, which has helped it weather market conditions. It intends to forcefully extend this strategy to new customers.

vii) Geographically diversified manufacturing should incorporate varying market conditions in different regions

(B) Product Concentration

Your Company operates only in one product line - i.e. Polyester films. This should be viewed in the context of the following factors:

- Polyester film has a range of applications and a decline in one segment can be offset by increase in another. Illustratively, while the magnetic media has been witnessing a decline, the overall demand continues to increase as applications such as packaging have exhibited a strong and sustained growth.

- Your Company has demonstrated its leadership in profitability in the industry.

(c) Financial Risk

(i) Foreign Exchange:

The Company's activities have a high export orientation. The loan portfolio in India is largely in Rupees & US dollar with interest rates linked to LIBOR. Since the Company has a net foreign exchange inflow, the risk is limited to a situation where the Rupee/Thai Baht appreciates in relation to the underlying foreign currency.

Cross currency risks are minimal.

For the Turkey project, currency wise inflows and outflows have been matched to minimize risk.

(ii) Interest rate risk:

Rupee loans in India are on a fixed rate basis. Most of these have been contracted recently and therefore reflect the current soft interest rate regime. US dollar denominated loans in India carry a LIBOR linked rate and therefore potentially higher outgoes are possible in the event there is an upward movement in LIBOR. Euro loans for PE are on floating rate basis linked to EURIBOR.

(iii) Leveraging:

With the successful placement of IPO, PTL has been able to repay its debts and is now a zero-debt company. The consolidated debt equity ratio is 0.08 : 1 at the end of 2004-05, down from 0.95: 1 at the end of 2003-04.

The following factors mitigate this risk:

- The cost of debt for the Company has come down significantly because of the investment grade rating of the company's debenture placement as well as the overall decline in the interest rate levels.
- The earnings in the current year will reduce gearing. However, this would be off-set by further borrowings for the Turkey venture & other expansions.

(d) Project risk

As mentioned earlier, the Company is in the process of implementing a project to set up 24,000 TPA Film line, along with Metalliser and Co-generation power plant in Turkey. This is a relatively large investment in relation to its current size. The successful implementation of the two PET film lines outside India has demonstrated its project execution skills. The fact that firm financing arrangements are in place and most of the Project cost and delivery schedules are firm mitigate this perceived risk sufficiently.

(e) Country risk

The capacity in Thailand is now twice that of India and therefore fortunes for the parent company in India are intricately interwoven with the success of the operations in Thailand. Based on your Company's experience so far, as well as, that of a whole spectrum of foreign owned businesses present in Thailand for a long time suggests that the risks are not significant.

With exposure now being spread to two countries, the overall Country risk for the Company stands reduced.

This risk will be further diluted post the expansion in Turkey.

(f) Trade defense measures

As mentioned elsewhere in the discussion, international trade in PET film has been the subject of several anti-dumping and countervailing duty investigations and actions. The high export orientation of the

industry makes this an important business risk. An understanding of these measures resulting from the past investigation against exports of PET film from India and a geographical well-diversified sales portfolio will help mitigate the adverse fall-out of such an action.

12. FUTURE OUTLOOK

Your Company remains optimistic on the anticipated financial performance in the current year. Looking further ahead, if all or substantially all of the announced capacity additions come on-stream there would be an oversupply situation. This is consistent with our past experience. However, the continued growth of demand should bring the demand-supply balance in equilibrium over time. As explained elsewhere, moderating the influence of cyclical nature of the industry is an important challenge. The Company is constantly striving to position itself in a manner that while following broad industry trends, it is able to consistently deliver better performance than its competitors. The expansion in Thailand and Turkey are consistent with this strategy.

13. CAUTIONARY STATEMENT

Investors are cautioned that the discussion contains forward-looking statements that involve risks and uncertainties. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of a new information, future events, or otherwise. Actual results, performances or achievements could differ materially from those expressed or implied in such forward-looking statements.

Report on Corporate Governance

Pursuant to Clause 49 of the Listing Agreement, a Report on Corporate Governance is given below :

A. MANDATORY REQUIREMENTS

1. Company's philosophy on Code of Governance

The quintessential elements of Corporate Governance are fairness, transparency, accountability and responsibility. At Polyplex, the emphasis is on :

- Enhancement of Shareholder value.
- Protection of the interest of the other shareholders.
- Long-term financial health of the Company.
- Providing customers with quality products and services at competitive prices.
- Environmentally friendly production methods.
- Providing for fair wages and safe working condition for employees and inviting inputs from employees in decision making.
- Contribution to the socio-economic development of the local community.

2. Board of Directors

- *Composition :*

  The strength of the Board during the year 2004-05 was eight Directors. The Board comprises of Executive and Non-Executive Directors. There are seven Non-Executive Directors including the Chairman and one nominee director of IDBI Ltd., all of whom are Independent Directors except the Chairman who is from promoter's category. The Non-Executive Directors bring independent judgment in the Board's deliberations and decisions.

- Attendance of each Director at the Board Meeting/AGM and other Directorships/Memberships of Committees

  During 2004-05 Four Board Meetings were held on June 3, 2004, July 30, 2004, October 30, 2004 and January 31, 2005:

Name of Director	Category of Directorship	No. of Board Meetings Attended	Attendance at the last AGM	Other Director-ships	No. of Board Committees (Other than Polyplex Corporation Limited)	
Sarvashri					Member	Chairman
Sanjiv Saraf	Promoter, Non Executive	3	Absent	10	–	–
Pranay Kothari	Independent, Executive	4	Present	15	–	–
S.G. Subrahmanyan	Independent, Non Executive	4	Absent	2	2	1
O.P. Mehra	Independent, Non Executive	3	Absent	5	4	2
B.K. Soni	Independent, Non Executive	3	Present	5	–	–
Ramesh Bhatia	Independent, Non Executive	2	Absent	5	–	–
M.K. Jain	Nominee of IDBI Ltd., Non Executive	4	Absent	1	–	–
Suresh Surana	Independent, Non Executive	3	Absent	7	–	–

3. Audit Committee

As reported last year the Company has constituted Audit Committee which has inter alia, the following terms of reference :

1. Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
3. Reviewing with the management the annual financial statements before submission to the Board, focusing primarily on :
   - Any changes in accounting policies and practices.
   - Major accounting entries based on the exercise of judgement by the management.
   - Qualifications in the draft audit report.
   - Significant adjustments arising out of audit.
   - The going concern assumption.
   - Compliance with Accounting Standards.
   - Compliance with stock exchange and legal requirements concerning financial statements.
   - Any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.
4. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
5. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
6. Discussing with internal auditors any significant findings and follow up thereon.
7. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
8. Discussing with external auditors before the audit commences nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
9. Reviewing the Company's financial and risk management policies.
10. Looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

Composition & Meetings and the attendance during the year :

Audit Committee of the Board of Directors comprises of four Independent Non Executive Directors. Shri S.G. Subrahmanyan is the Chairman of Audit Committee. During the year 2004-05 three meetings of Audit Committee were held. Attendance of each member of the Committee during 2004-05 is given below :-

Name of Director	No. of Meetings attended
Shri S.G. Subrahmanyan	3
Shri O.P. Mehra	2
Shri B.K. Soni	3
Shri M.K. Jain	3

4. Remuneration to Directors

(a) The details of the remuneration paid to Shri Pranay Kothari, Executive Director during the year 2004-05 are given below :

Salary	Perquisites	Total
Rs.6,00,000	Rs.8,54,617	Rs.14,54,617

(b) The details of payments to Non-Executive Directors during the year 2004-05 are given below :

Non-Executive Directors	Sitting Fees
Shri Sanjiv Saraf	Rs. 3,40,000/-
Shri S.G. Subrahmanyan	Rs. 1,40,000/-
Shri O.P. Mehra	Rs. 1,00,000/-
Shri B.K. Soni	Rs. 3,00,000/-
Shri Ramesh Bhatia	Rs. 40,000/-
Shri M.K. Jain*	Rs. 1,40,000/-
Shri Suresh Surana**	Rs. 60,000/-

* Sitting fee paid to nominating institution i.e. IDBI Ltd.

** In addition a sum of Rs. 6,46,494/- was paid to a firm in which Shri Suresh Surana is a partner towards professional fee and reimbursement of expenses.

5. Investors/Shareholders Grievance Committee

Details of the Members, Compliance Officer, No. of complaints received and pending transfers as on close of the financial year.

The Company's Shares Transfer Committee, inter alia, looks into the Investors/Shareholders Grievances. This Committee consists of Shri Sanjiv Saraf, Director, Shri Pranay Kothari, Executive Director and Shri B.K. Soni, Director. The members of the Committee present elect the Chairman of the meeting. Shri A.K. Gurnani, Company Secretary is the Compliance Officer.

Complaints received from Investors/ shareholders are promptly attended to.

As on March 31, 2005, 47 requests involving 9600 shares were pending for transfer/dematerialisation, which were given effect to on April 1, 2005.

6. General Body Meetings

Details of the location of the Annual General Meetings (AGMs)/Extraordinary General Meetings (EGMs) held during the last three years and the details of the resolutions passed or to be passed by Postal Ballot.

Type of Meeting	Financial Year	Date	Location of the Meeting	Time
AGM	2003-04	31.8.2004	Registered Office at Khatima	11.00 a.m.
AGM	2002-03	30.9.2003	Registered Office at Khatima	11.00 a.m.
EGM	2003-04	18.6.2003	Registered Office at Khatima	11.00 a.m.
EGM	2002-03	14.2.2003	Registered Office at Khatima	11.00 a.m.
AGM	2001-02	29.7.2002	Registered Office at Khatima	11.00 a.m.

None of the Special Resolutions passed during the last three AGMs/EGMs was required to be passed through postal ballot.

No Special Resolution for this year is required to be passed by postal ballot.

7. Disclosures

Disclosure on materially significant related party transactions i.e. transactions of the Company of material nature, with its Promoters, the Directors or the Management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large.

During the year, there were no transactions of material nature with the directors or the management or their subsidiaries or relatives that had potential conflict with the interest of the Company.

Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

There are no penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets, during the last three years.

8. Means of Communication

(i) Half yearly report is not being sent to each household of shareholders as shareholders are intimated through the press and the Company's Website www.polyplex.com. Quarterly/Annual results are also displayed on Company's Website.

(ii) The quarterly and half yearly results are published in the leading newspapers.

(iii) Management Discussion and Analysis forms part of the Annual Report, which is posted to the shareholders of the Company.

General Shareholder Information

1. Annual General Meeting Day, Date, Time and Venue : Tuesday, 16th August, 2005 at 11.00 a.m. at the Registered Office at :

   Lohia Head Road,
   Khatima-262 308
   Distt. Udham Singh Nagar,
   UTTARANCHAL

2. Book Closure Date: 13.08.2005 to 16.08.2005 (both days inclusive)

3. Dividend Payment Date: On or from 22.08.2005

4. Listing on Stock Exchanges:

   Equity Shares of the Company are listed on following Stock Exchanges:

   The Stock Exchange,
   Phiroze Jeejeebhoy Towers,
   Dalal Street,
   Mumbai-400001

   The National Stock Exchange of India Limited,
   Bandra Kurla Complex,
   Mumbai-400051

   Listing Fees for the year 2005-06 has been paid to above Exchanges.

   Company's application for voluntary de-listing of Shares from the Calcutta Stock Exchange Association Limited is still pending with the Exchange.

5. Scrip Code

   The Company's equity shares have been allotted following scrip codes :-

The Stock Exchange, Mumbai	**Scrip Code 524051**
National Stock Exchange of India Ltd.	**POLYPLEX**
Reuters Code	**PLYP.BO**
NSDL/CDSL - ISIN	**INE633B01018**

6. Stock Market Data

   Share prices on The Stock Exchange, Mumbai and the National Stock Exchange of India Ltd. during 2004-05 were as follows:

Months	The Stock Exchange, Mumbai			The National Stock Exchange of India Ltd.		
	High Rs.	Low. Rs.	Volume Nos.	High Rs.	Low Rs.	Volume. Nos.
April, 2004	167.30	136.50	436883	168.00	135.20	721695
May, 2004	149.60	111.00	371116	148.35	111.55	613450
June, 2004	135.00	**99.80**	317858	135.00	**99.60**	707406
July, 2004	148.00	102.00	1187424	148.45	102.10	2036773
August, 2004	169.95	143.10	1409684	170.20	143.15	3197624
September, 2004	180.00	161.15	577773	180.00	162.00	1325628
October, 2004	194.40	156.00	860314	194.40	162.00	1649706
November, 2004	277.70	190.00	2833602	279.00	190.50	6587997
December, 2004	**293.00**	234.10	1982995	**294.00**	237.00	4477956
January, 2005	265.00	200.20	561217	264.70	200.00	1242293
February, 2005	225.00	178.25	782484	222.60	178.00	1695097
March, 2005	229.00	178.50	1196396	228.90	179.00	26059488
Total			**12517746**			**26059488**

Source : www.bseindia.com and www.nseindia.com

7. Stock Performance of the Company in comparison to NSE Nifty Index.

8. Share Transfer System

Requests for registration of share transfers, issue of duplicate share certificates and endorsement of call money are received by the Company at its Registered/Corporate Office, apart from the Registrars and Share Transfer Agents appointed by the Company. All valid requests are processed expeditiously and returned to the shareholders.

9. Registrars and Share Transfer Agents:

MCS Ltd.,
Sri Venkatesh Bhawan,
W-40, Okhla Industrial Area, Phase II,
New Delhi 110020
Phone : (011) 26384909
Fax : (011) 26384907
E-mail : mcsdel@vsnl.com

10. Distribution of shareholdings as on 31.03.2005

Share holding of nominal Value of Rs.	Shareholders Number	% of total	Amount (in Rs.)	% of Total
1 to 5000	9624	89.10	13858400	9.46
5001 to 10000	533	4.93	4447860	3.04
10001 to 20000	283	2.62	4367990	2.98
20001 to 30000	114	1.06	2913240	1.99
30001 to 40000	36	0.33	1337830	0.91
40001 to 50000	55	0.51	2586150	1.77
50001 to 100000	64	0.59	4953600	3.38
100001 & above	92	0.86	111957930	76.47
Total	**10801**	100.00	146423000	100.00

11. Categories of shareholders as on 31.03.2005

Category	No. of Shares	%
Financial Institutions	6400	0.04
Mutual Funds	299960	2.05
Corporate Bodies	2182811	14.91
Promoters/Directors/Relatives	6885610	47.03
FIIs	1621035	11.07
NRIs/OCBs	237076	1.62
Individual/Public	3409408	23.28
Total	**14642300**	**100.00**

12. Dematerialisation of shares and liquidity.

Shares of the Company are available for dematerialisation and are being traded in dematerialised form by all investors w.e.f. April 30, 2001. Shareholders of the Company are advised to avail the facility of electronic shares through dematerialisation of physical scrips by opening an account with any of the recognized Depository Participants and submitting the physical share certificates along with duly filled in and signed De-mat Request Form with the Depostory Participant. The process of dematerialisation takes about 10-15 days from the date of receipt of De-mat Request Form.

Status of Dematerialisation as on March 31, 2005

Name of Depository	No. of shares	% of Total Capital	No. of Accounts
National Securities Depository Limited	13373846	91.34	6177
Central Depository Services (India) Limited	613994	4.19	1280
Total Dematerialised	**13987840**	95.53	7457
Physical Certificates	654460	4.47	3344
Grand Total	**14642300**	100.00	10801

The Company has not issued GDRs and there are no warrants/convertible bonds outstanding as at the year-end.

13. Plant Locations

The Company's Polyester Chips and Polyester Film manufacturing facility is located at Khatima 262 308, Distt. Udham Singh Nagar, Uttaranchal.

14. Investor Correspondence

For any assistance regarding share transfers, transmissions, issue of duplicate share certificate(s), change of address, non-receipt of dividend, issue of duplicate dividend warrant, dematerialisation of shares etc., please contact/write to: -

Shares Department
Polyplex Corporation Limited
Lohia Head Road,
Khatima 262308
Distt. Udham Singh Nagar,
Uttaranchal

Phone : (05943) 250136
Fax : (05943) 250281

or

Shares Department,
Polyplex Corporation Limited
B-37, Sector -1,
NOIDA 201301,
Gautam Budh Nagar,
Uttar Pradesh

Phone : (0120) 2443716 to 19
Fax : (0120) 2443723 & 24

Email : investorrelations@polyplex.com

15. Financial Statistics

Rs. in Lacs

	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99
Share Capital	1522.09	1522.09	1522.09	1522.09	1522.09	1522.09	1522.09
Reserves	10071.95	10086.74	8119.67	6845.02	7870.20	7571.42	7588.60
Borrowing	10003.15	8375.87	7638.36	4318.08	5960.24	7787.85	6938.22
Capital employed	21597.19	19984.70	17280.12	12685.19	15352.53	16881.36	16048.91
Gross Block	20713.80	20133.59	19746.40	18356.81	18143.39	15795.68	15719.89
Depreciation	10319.89	9642.61	8735.91	7851.32	7137.73	6342.25	5553.34
Net Block	10393.91	10490.98	11010.49	10505.25	11005.66	9453.43	10166.55
Gross Revenue	21406.97	19063.25	14538.42	12838.16	12123.36	8997.98	8169.32
Expenses	18609.91	14290.32	11324.97	10440.61	10664.36	8045.35	6926.22
Depreciation	918.30	921.56	903.54	878.11	854.02	803.53	814.76
Profit before Tax	1878.76	3851.37	2309.91	1519.44	604.98	149.10	428.34
Taxes	564.12	1223.38	641.07	613.65	47.02	23.37	62.21
Distributable Profits for The year	1314.64	2627.81	1668.84	905.79	557.96	125.73	366.13
Dividend (including Dividend Tax)	1329.43	660.74	394.19	307.78	259.18	142.91	128.85
Earnings per share (Rs.)	8.98	17.95	11.40	6.19	3.81	0.86	2.50
Dividend per share of Rs.10/- each (in Rs.)	8.00	4.00	2.50	2.00	1.50	0.80	0.80

Auditors' Certificate

TO THE MEMBERS OF POLYPLEX CORPORATION LIMITED

We have examined the compliance of conditions of Corporate Governance procedures implemented by Polyplex Corporation Limited for the year ended on March 31, 2005, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to a review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

On the basis of our review and according to the information and explanations given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreements with the Stock Exchanges have been complied with in all material respect by the Company and that no investors grievance(s) is/are pending for a period exceeding one month against the Company as per the records maintained by the Share Transfer and Shareholders Grievance Committee of the Board.

For **Lodha & Co.,**
Chartered Accountants

Place : New Delhi
Dated : June 17, 2005

N.K. LODHA
Partner

Auditors' Report

TO THE MEMBERS' OF POLYPLEX CORPORATION LIMITED

We have audited the attached Balance Sheet of POLYPLEX CORPORATION LIMITED as at 31st March 2005 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that :-

(a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

(b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

(c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement referred to in this report are in agreement with the books of account;

(d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956;

(e) On the basis of written representations received from the directors of the company and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2005 from being appointed as a director in terms of clause (g) of sub section (1) of Section 274 of the Companies Act, 1956;

(f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes thereon and appearing in Schedule of Accounting Policies and Notes on Accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2005;

ii) in the case of the Profit & Loss Account, of the Profit for the year ended on that date; and

iii) in the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

(g) As required by the Companies (Auditors' Report) Order, 2003 ("The Order")(As amended) issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, on the matters specified in paragraphs 4 and 5 of the said Order and on the basis of such checks as we considered appropiate and in terms of information and explanations provided to us, we further report that :-

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.

(b) Fixed Assets have been physically verified by the Management according to the regular programme of periodical verification in phased manner which in our opinion is reasonable having regard to the size of the Company and the nature of its Fixed Assets. According to the information and explanations given to us, discrepancies noticed on such physical verification were not material.

(c) No substantial part of Fixed Assets has been disposed off during the year and therefore does not affect the going concern assumption.

2. (a) The Inventory of the Company at all its locations (except stocks lying with third parties and in transit) have been physically verified by the Management at reasonable intervals.

   (b) The procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.

   (c) The Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.

3. (a) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of The Companies Act, 1956. Accordingly, the clauses 4 (iii) (b) to (d) of the Order are not applicable.

   (b) The Company has not taken any loan, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of The Companies Act, 1956. Accordingly, the clauses 4 (iii) (f) to (g) of the Order are not applicable.

4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company carried out in accordance with the auditing standards generally accepted in India, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

5. (a) In our opinion and according to the information and explanations given to us, the particulars of contract or arrangement that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.

   (b) In our opinion and according to the information and explanations given to us, transactions made in pursuance of contracts and arrangements entered into the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lacs in respect of each party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

6. The Company has not accepted any deposit under the provisions of Section 58A, Section 58AA or any other provisions of the Companies Act, 1956 and the rules framed thereunder.

7. In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.

8. The Central Government has prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, in respect of Polyester Chips. On the basis of the records produced and broadly reviewed by us, we are of the opinion that, prima facie, the prescribed records have been made and maintained. However, we are not required to and have not carried out any detailed examination of the said records, with a view to determine whether they are accurate or complete.

9. (a) In our opinion and according to the information and explanations given to us, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service Tax, Custom Duty, Excise Duty, Cess and any

other statutory dues have generally been deposited in time during the year with the appropriate authorities and there are no undisputed statutory dues payable for a period of more than six months from the date they became payable as at 31st March 2005.

(b) In our opinion and according to the information & explanations given to us, there are no dues in respect of wealth tax, service tax and cess that have not been deposited with appropiate authority on account of any dispute and in our opinion and according to the information & explanations given to us, the dues in respect of sales tax, custom duty, excise duty, and income tax that have not been deposited with the appropriate authorities on account of dispute and the forum where the dispute is pending are given below:-

Name of the Statute	Nature of the dues	Amount (Rs. in Lacs)	Forum where disputes are pending
Sales Tax Act	Entry Tax	25.22	High Court
	Sales Tax and Penalty	91.29	Tribunal
	Sales Tax	0.36	High Court
		2.85	Commissioner (Appeals)
		30.56	Joint Commissioner (Appeals)
		22.47	Deputy Commissioner (Assessment)
Customs Act	Custom Duty	32.50	Tribunal
Central Excise Act	Excise duty	15.63	High Court
	Excise Duty and Penalty	9.92	Commissioner (Appeals)
	Excise duty	8.33	Additional Commissioner
		0.52	Tribunal
		0.55	Assistant Commissioner
Income Tax Act	Income Tax and Interest thereon	69.48	CIT (Appeals)

10. The Company does not have accumulated losses as at the end of the financial year and has not incurred cash losses in the immediately preceding financial year.

11. The Company has not defaulted in repayment of any dues to financial institutions or banks or debenture holders.

12. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13. The Company is not a chit fund or a nidhi/mutual benefit fund/society, therefore, clause 4 (xiii) of the Order is not applicable to the Company.

14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments.

15. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions.

16. In our opinion and on the basis of information and explanations given to us, the term loans were applied for the purposes for which the loans were obtained.

17. On the basis of information and explanations given to us and on an overall examination of the Balance Sheet of the Company, no funds raised on short-term basis have been used for long-term investment.

18. The Company has not made any preferential allotment of shares to any parties or companies covered in the register maintained under Section 301 of The Companies Act, 1956.

19. On the basis of records made available to us and according to the information and explanations given to us, the Company has created security and charge in respect of the debentures issued/outstanding during the year.

20. The Company has not raised any money through a public issue during the year.

21. Based upon the audit procedures performed in accordance with accepted auditing practices in India, we have neither come across any instance of fraud on or by the Company, noticed or reported, during the year nor we have been informed of such case by the Management.

for **Lodha & Co.,**
Chartered Accountants

Place : New Delhi. **N.K. Lodha**
Date : June 17, 2005. Partner
Membership No. 85155

Balance Sheet

AS AT MARCH 31, 2005

	Schedule	As at 31.3.2005 (Rs. in Lacs)	As at 31.3.2004 (Rs. in Lacs)
I. SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	**1522.09**	1522.09
Reserves & Surplus	2	**10071.95**	10086.74
Loan Funds			
Secured Loans	3	**8253.15**	7575.87
Unsecured Loans	4	**1750.00**	800.00
Deferred Tax Liability (Net)	9	**1718.24**	1880.02
	TOTAL	**23315.43**	21864.72
II. APPLICATION OF FUNDS			
Fixed Assets	5		
Gross Block		**20713.80**	20133.59
Less: Depreciation		**10319.89**	9642.61
Net Block		**10393.91**	10490.98
Capital work in progress		**57.86**	43.90
		10451.77	10534.88
Investments	6	**6719.51**	7511.30
Share Application Money pending allotment with Subsidiary		**0.00**	25.65
Current Assets, Loans and Advances	7		
Inventories		**2065.45**	1819.09
Sundry Debtors		**3504.55**	2357.38
Cash and Bank Balances		**481.70**	304.88
Loans and Advances		**1808.49**	1196.35
		7860.19	5677.70
Less : Current Liabilities & Provisions	8		
Current Liabilities		**1188.37**	1529.92
Provisions		**527.67**	354.89
		1716.04	1884.81
Net Current Assets		**6144.15**	3792.89
	TOTAL	**23315.43**	21864.72
Notes to Accounts and Significant Accounting Policies	15		

As per our report of even date attached
For **Lodha & Co.,**
Chartered Accountants

Schedules referred to above form an integral part of the Balance Sheet

N.K. Lodha
Partner

Pranay Kothari
Executive Director

S.G. Subrahmanyan
Vice-Chairman

B.K. Soni
M.K. Jain
O.P. Mehra
Sanjiv Chadha
Directors

A.K. Gurnani
Company Secretary

Sanjiv Saraf
Chairman

Place : New Delhi
Date : June 17, 2005

Place : NOIDA

Profit and Loss Account

FOR THE YEAR ENDED MARCH 31, 2005

	Schedule	Current Year (Rs. in Lacs)	Previous Year (Rs. in Lacs)
I. INCOME			
Sales (Net of Excise of Rs.1918.54 Lacs, Previous Year Rs. 1999.34 Lacs)		**20528.79**	18624.88
Other Income	10	**878.18**	438.37
Stock Accretion/(Decretion)	11	**192.01**	6.48
	TOTAL	**21598.98**	19069.73
II. EXPENDITURE			
Manufacturing Expenses	12	**14313.87**	10565.05
Operating and other Expenses	13	**3446.90**	2830.19
Interest & Finance Charges (Net)	14	**990.15**	901.56
	TOTAL	**18750.92**	14296.80
Profit before Depreciation		**2848.06**	4772.93
Depreciation		**918.30**	921.56
Profit after depreciation		**1929.76**	3851.37
Less : Exceptional Items Loss on Redemption of Preference Shares (Refer Note 4)		**51.00**	0.00
Profit after Exceptional Items		**1878.76**	3851.37
Less: Provision For Tax			
– Current Tax		**725.90**	1166.16
– Deferred Tax		**(161.78)**	56.14
		1314.64	2629.07
Add : Prior period adjustments-tax		**0.00**	(1.26)
Profit After Tax		**1314.64**	2627.81
Add : Surplus brought forward		**5101.02**	3850.70
Add : Debenture Redemption Reserve written back		**750.00**	8.25
Available for Appropriation		**7165.66**	6486.76
Transferred to General Reserve		**132.00**	300.00
Debenture Redemption Reserve		**0.00**	425.00
Proposed Dividend		**439.27**	292.85
Interim Dividend		**732.12**	292.85
Corporate Dividend Tax		**158.04**	75.04
Surplus carried to Balance Sheet		**5704.23**	5101.02
Basic and diluted Earning Per Share (in Rs.)		**8.98**	17.95
Notes to Accounts and Significant Accounting Policies	15		

As per our report of even date attached
For **Lodha & Co.,**
Chartered Accountants

Schedules referred to above form an integral part of the Profit and Loss Account

N.K. Lodha
Partner

Pranay Kothari
Executive Director

S.G. Subrahmanyan
Vice-Chairman

B.K. Soni
M.K. Jain
O.P. Mehra
Sanjiv Chadha
Directors

A.K. Gurnani
Company Secretary

Sanjiv Saraf
Chairman

Place : New Delhi
Date : June 17, 2005

Place : NOIDA

Schedules

SCHEDULE 1
SHARE CAPITAL

	As at 31.3.2005 (Rs. in Lacs)	As at 31.3.2004 (Rs. in Lacs)
AUTHORISED		
3,00,00,000 Equity Shares of Rs.10 each	**3000.00**	3000.00
ISSUED & SUBSCRIBED CAPITAL	**1583.80**	1583.80
1,58,38,000 Equity Shares of Rs.10 each		
PAID-UP CAPITAL		
1,46,42,300 Equity Shares of Rs.10 each fully paid up	**1464.23**	1464.23
Add: Share Forfeiture Account	**57.86**	57.86
TOTAL	**1522.09**	1522.09

SCHEDULE 2
RESERVES & SURPLUS

	As at 31.3.2005 (Rs. in Lacs)	As at 31.3.2004 (Rs. in Lacs)
CAPITAL RESERVE		
Central Investment subsidy	**25.00**	25.00
	25.00	25.00
SHARE PREMIUM		
Per last Balance Sheet	**2030.43**	2030.43
	2030.43	2030.43
GENERAL RESERVE		
Per last Balance Sheet	**1380.29**	1080.29
Additions during the year	**132.00**	300.00
	1512.29	1380.29
DEBENTURE REDEMPTION RESERVE		
Per last Balance Sheet	**1550.00**	1133.25
Additions during the year	**0.00**	425.00
	1550.00	1558.25
Transferred to Profit & Loss Account	**750.00**	8.25
	800.00	1550.00
PROFIT & LOSS ACCOUNT	**5704.23**	5101.02
TOTAL	**10071.95**	10086.74

SCHEDULE 3
SECURED LOANS

	As at 31.3.2005 (Rs. in Lacs)	As at 31.3.2004 (Rs. in Lacs)
(a) 8.95% Redeemable Non Convertible Debentures of Rs.100000/- each	**1500.00**	1500.00
(b) 8.75% Redeemable Non Convertible Debentures of Rs.100000/- each	**0.00**	625.00
(c) 12.70% Redeemable Non Convertible Debentures of Rs.100/- each	**0.00**	2000.00
(d) 9.00% Redeemable Non Convertible Debentures of Rs.100/- each	**1700.00**	1700.00
(e) Loans from Financial Institutions		
– Foreign Currency Term Loans	**0.00**	86.47
– Corporate Rupee Loan	**0.00**	87.00
(f) Loans from Banks		
– Rupee Term Loans	**126.65**	88.90
– Foreign Currency Term Loans	**1750.00**	0.00
– Working Capital Loans		
– Foreign Currency Working Capital Demand Loans	**1398.95**	439.20
– Cash Credit	**3.96**	8.08
– Export Packing Credit Rupee Loan	**0.00**	40.00
– Export Packing Credit Foreign Currency Loan	**1773.59**	1001.22
TOTAL	**8253.15**	7575.87

(1) Debentures at (a) and (d) above aggregating to Rs.3200.00 Lacs (Previous Year Rs.5825.00 Lacs), Foreign Currency (FC) Term loan of Rs.Nil (Previous Year Rs.86.47 Lacs) and Corporate Rupee Loan of Rs.Nil (Previous Year Rs.87.00 Lacs) are secured/to be secured on a pari passu basis by a first equitable mortgage in respect of Company's immovable properties at Khatima, both present and future, and a charge by way of hypothecation of Company's movables (save and except book debts) both present and future, subject to prior charges created and/or to be created in favour of the Company's bankers on specified movables for working capital facilities.

(2) Debentures at (a) and (d) are also secured on a pari passu basis by registered mortgage in respect of Company's freehold immovable property at Village Budasan, Kadi Taluka, Distt. Mehsana, Gujarat.

(3) Debentures at (d) above are also secured by irrevocable guarantee of a Director/Promoter.

(4) Foreign Currency Term Loan of Rs. 1750 Lacs is in the nature of External Commercial Borrowing availed from Chinatrust Commercial Bank which is secured by exclusive charge by way of equitable mortgage of land and building of Noida Corporate Office.

(5) Working Capital Loans from Banks aggregating to Rs.3176.50 Lacs (Previous Year Rs.1488.50 Lacs) are secured/to be secured by way of hypothecation of inventories, book debts and other current assets both present and future, besides second charge on Company's immovable properties at Khatima and are further secured by irrevocable guarantee of director/promoter.

(6) Rupee Term Loans from Banks are secured by hypothecation of Vehicles purchased therefrom.

(7) The Debentures at (a) above are redeemable in 2 equal annual instalments commencing from the expiry of 4th year from the date of allotment ie., 30.10.2002. The Debentures at (d) above are redeemable in 3 annual instalments of Rs. 400 Lacs, Rs.650 Lacs and Rs.650 Lacs payable at the end of 3rd, 4th and 5th year respectively from the date of allotment i.e. 23.05.2003.

SCHEDULE 4
UNSECURED LOANS

	As at 31.3.2005 (Rs. in Lacs)	As at 31.3.2004 (Rs. in Lacs)
Corporate FC Loan from Bank	**1750.00**	0.00
Commercial Paper	**0.00**	800.00
Maximum Outstanding at anytime during the year Rs.2250 Lacs (Previous Year Rs.800.00 Lacs)		
TOTAL	**1750.00**	800.00

Note :
The Commercial Paper issued were earmarked by Cash Credit Limits.

SCHEDULE 5
FIXED ASSETS

(Rs. in Lacs)

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1.04.04	Additions during the year	Sale/ Adjust-ments	**As at 31.03.05**	Upto 1.04.04	For the Year	Sale/ Adjust-ments	**Upto 31.03.05**	**As at 31.03.05**	As at 31.3.04
Freehold Land	210.94	30.42	184.83	**56.53**	0.00	0.00	0.00	**0.00**	**56.53**	210.94
Leasehold Land	472.59	0.00	0.00	**472.59**	42.01	5.25	0.00	**47.26**	**425.33**	430.58
Buildings	2691.12	61.32	182.76	**2569.68**	610.70	55.80	7.90	**658.60**	**1911.08**	2080.42
Plant & Machinery	15410.58	987.36	260.55	**16137.39**	8547.25	757.28	187.08	**9117.45**	**7019.94**	6863.33
Electrical Installations	468.04	70.27	10.11	**528.20**	120.58	22.28	1.87	**140.99**	**387.21**	347.46
Furniture & Fixtures	285.71	30.65	5.34	**311.02**	81.41	17.12	4.21	**94.32**	**216.70**	204.30
Office Equipments	312.40	42.03	19.76	**334.67**	148.06	31.45	12.00	**167.51**	**167.16**	164.34
Vehicles	282.21	72.36	50.85	**303.72**	92.60	29.12	27.96	**93.76**	**209.96**	189.61
Total	20133.59	1294.41	714.20	**20713.80**	9642.61	918.30	241.02	**10319.89**	**10393.91**	10490.98
Previous Year	19746.40	481.30	94.11	**20133.59**	8735.91	921.56	14.86	**9642.61**	**10490.98**	

Notes :
1. Freehold land costing Rs.Nil (Previous Year Rs.175.97 Lacs) is not registered in the name of the Company.
2. Freehold Land costing Rs.8.79 Lacs (Previous Year Rs.28.05 Lacs) is under Power of Attorney.
3. Sale/Adjustments to Plant & Machinery includes Rs.Nil (Previous Year Rs.23.39 Lacs) on account of Foreign Exchange fluctuation.
4. Plant & Machinery includes Rs.186.98 Lacs (Previous Year Rs.186.98 Lacs) in respect of assets taken on financial lease.

SCHEDULE 6
INVESTMENTS (at Cost Less Provisions)
(Fully paid up unless otherwise stated)

	Face Value	**Nos. 31.3.2005**	Nos. 31.3.2004	**As at 31.3.2005 (Rs. in Lacs)**	As at 31.3.2004 (Rs. in Lacs)
(1) Equity/Ordinary Shares					
Investment in Other Companies					
EEL India Limited*	Rs.10	**0**	65000	**0.00**	30.00
Polyplex Infotech Private Limited	Rs.10	**69800**	69800	**6.98**	6.98
Spectrum Marketing Company Inc. (USD) (common stock, no par value)	125000	**25000**	25000	**44.54**	44.54
Excel International Limited	Rs.10	**4020**	4020	**0.40**	0.40
Investment in Subsidiary Companies					
Polyplex (Thailand) Public Company Limited */#					
(Fully paid up- Baht 10)	Baht 10	**0**	8527370	**0.00**	965.78
(Partly paid up - Baht 7.10)	Baht 10	**0**	4672630	**0.00**	369.00
Polyplex (Asia) Pte Ltd. Fully paid up- USD 10	USD 10	**100000**	0	**463.83**	0.00
(2) Preference Shares-Non Cumulative Redeemable					
Polyplex (Thailand) Public Company Limited # (Fixed & Non Cumulative @MLR + 2%)					
(Fully paid up- Baht 10)	Baht 10	**0**	34109480	**0.00**	3863.16
(Partly paid up - Baht 7.10)	Baht 10	**0**	18690520	**0.00**	1475.98
Polyplex (Asia) Pte. Ltd. Fully paid up- USD 10	USD 10	**33500**	0	**4350.70**	0.00
Long Term Other than Trade					
QUOTED - SHARES					
Investment in Subsidiary Companies					
Polyplex (Thailand) Public Company Limited */# Fully paid up Equity Shares	Baht 1	**132000000**	0	**1487.60**	0.00
Current Other than Trade					
QUOTED- OTHER THAN SHARES					
Mutual Funds					
SBI Magnum Institutional Income Fund Savings Plan	Rs.10	**1407816**	0	**150.00**	0.00
Alliance Cash Manager	Rs.10	**998303**	0	**110.00**	0.00
Chola Institutional Liquid Plan	Rs.10	**1114355**	0	**150.00**	0.00
Prudential ICICI Liquid Plan	Rs.10	**0**	1767506	**0.00**	275.00
DSP Merrill Lynch Liquid Fund	Rs.10	**0**	1631511	**0.00**	250.00
ING Vysya Liquid Fund	Rs.10	**0**	2070789	**0.00**	275.00
				6764.05	7555.84
Less : Provision for diminution in value of Investments				**44.54**	44.54
Grand Total				**6719.51**	7511.30
Aggregate of Unquoted Investments— (At Cost Less Provision)				**4821.91**	6711.30
Aggregate of Quoted Investments — (At Book Value)				**1897.60**	800.00
— (At Market Value)				**9391.56**	806.50

Note:
* Includes 60 ordinary shares (Previous Year - 6 ordinary shares) beneficially owned by the Company but not registered in the name of the Company.
\# Earlier known as Polyplex (Thailand) Limited

Mutual Funds purchased and sold during the year	**2004-05 No of Units**	**2003-04 No of Units**
Prudential ICICI Liquid Plan	**3957198**	3986591
DSP Merrill Lynch Liquid Fund	**11268612**	8491862
ING Vysys Liquid Fund	**31169891**	8083379
Zurich India Liquid Fund	**0**	1508148
Franklin Templeton Investments	**36416**	1324538
SBI Magnum Institutional	**38024379**	9563647
Kotak Mahindra Liquid Plan	**3061545**	404645
HSBC Cash Fund	**17087207**	3300128
Alliance Cash Manager	**15099496**	0
Chola Institutional Liquid Plan	**12443749**	0
Grindlays Cash Growth Fund	**2466740**	0
Reliance Liquid Growth Fund	**2521178**	0
ABN Amro Cash Growth Fund	**3962593**	0
Principal Cash Management Fund	**7736781**	0
Deutsche Mutual Growth Fund	**8034487**	0
HDFC Cash Management Growth Fund	**25834299**	0

SCHEDULE 7
CURRENT ASSETS, LOANS & ADVANCES

	As at 31.3.2005 (Rs. in Lacs)	As at 31.3.2004 (Rs. in Lacs)
A. CURRENT ASSETS		
Inventories		
(as valued and certified by Management)		
(at lower of cost and net realisable value)		
Raw Materials	**693.42**	677.54
(including in Transit Rs.259.85 Lacs, Previous Year Rs.186.63 Lacs)		
Stock in Process	**399.73**	259.93
Finished Goods		
(including Scrap stock Rs.4.10 Lacs, Previous Year Rs.6.71 Lacs)	**361.41**	318.79
(including in transit stock Rs.77.41 Lacs, Previous Year 54.54 Lacs)		
Stores & Spares	**610.89**	562.83
Sub Total	**2065.45**	1819.09
Sundry Debtors (Unsecured)		
Debts over six months		
– Considered good	**8.38**	61.46
– Considered doubtful	**8.32**	13.26
Other Debts		
– Considered good	**3496.17**	2295.92
	3512.87	2370.64
Less: Provision for doubtful debts	**8.32**	13.26
Sub Total	**3504.55**	2357.38
Cash & Bank Balances		
Cash in hand	**4.47**	8.29
Cheques on hand	**47.18**	50.59
With scheduled banks on		
– Current Accounts	**385.14**	161.83
– Fixed Deposits*	**44.91**	84.17
Sub Total	**481.70**	304.88
Total (A)	**6051.70**	4481.35
B. LOANS AND ADVANCES		
(Unsecured Considered Good)		
Advances recoverable in cash or in kind or for value to be received**	**1226.11**	919.15
Deposits with Government Authorities & Others	**115.06**	134.91
Advance Tax (Net of Provision for Tax)	**134.51**	87.89
Balance with Customs & Excise Authorities	**332.81**	54.40
Total (B)	**1808.49**	1196.35
TOTAL (A+B)	**7860.19**	5677.70

* Includes Rs.44.91 Lacs (Previous Year Rs.83.15 Lacs) pledged with banks towards margin against Guarantees, Letters of Credit and Foreign Bill Purchase limit.

** Includes a sum of Rs.7.67 Lacs (Previous Year Rs.9.67 Lacs) due from a director/officer. Maximum amount due during the year Rs.9.67 Lacs (Previous Year Rs.11.67 Lacs)

** Includes capital advance of Rs.50.25 Lacs (Previous Year Rs.33.77 Lacs)

SCHEDULE 8
CURRENT LIABILITIES & PROVISIONS

	As at 31.3.2005 (Rs. in Lacs)	As at 31.3.2004 (Rs. in Lacs)
CURRENT LIABILITIES		
Acceptances	**0.00**	166.49
Sundry Creditors	**637.18**	660.14
Other liabilities	**136.70**	287.04
Security deposits/Advances from tenants	**213.13**	227.55
Interest accrued & not due	**153.74**	154.22
Investor Education and Protection Fund shall be credited by the following amounts, when due :-		
– Unpaid Dividend	**47.62**	34.48
Sub Total	**1188.37**	1529.92
PROVISIONS		
Provision for Wealth Tax	**0.90**	1.16
Provision for Retirement Benefits	**25.89**	23.36
Proposed Dividend (including Corporate Dividend Tax)	**500.88**	330.37
Sub Total	**527.67**	354.89
TOTAL	**1716.04**	1884.81

SCHEDULE 9
DEFERRED TAX ASSETS AND LIABILITIES
(arising out of timing differences in)

	As at 31.3.2005 (Rs. in Lacs)	As at 31.3.2004 (Rs. in Lacs)
DEFERRED TAX ASSETS		
Disallowances as per Income Tax Act	**11.52**	15.82
	11.52	15.82
DEFERRED TAX LIABILITY		
Depreciation	**(1729.76)**	(1895.84)
	(1729.76)	(1895.84)
DEFERRED TAX LIABILITY (NET)	**(1718.24)**	(1880.02)

SCHEDULE 10
OTHER INCOME

	Current Year (Rs. in Lacs)	Previous Year (Rs. in Lacs)
Income from let out Property (Tax deducted at source Rs.61.25 Lacs, Previous Year Rs. 37.58 Lacs)		
– Rent	**220.60**	128.61
– Maintenance and Other Charges	**262.42**	226.44
Miscellaneous Receipts	**65.33**	7.27
Profit on Sale of Current Investments	**61.21**	27.98
Dividend (Gross) on long term investments (Other than Trade)	**0.00**	1.63
Foreign Exchange Fluctuation (Net)	**200.08**	24.84
Excess Provision Written Back	**38.08**	4.91
Provision for doubtful debts written back	**8.56**	12.24
Previous Year Income (Net of Expenses of Rs. 1.08 lacs, Previous Year - Nil)	**21.90**	0.00
Profit on Sale of Fixed Assets (Net)	**0.00**	4.45
TOTAL	**878.18**	438.37

SCHEDULE 11
STOCK ACCRETION/(DECRETION)

	Current Year (Rs. in Lacs)	Previous Year (Rs. in Lacs)
Closing Stocks		
– Finished Goods	**361.41**	318.79
– Stock in Process - Others	**34.82**	30.83
– Stock in Process - Chips	**364.91**	229.10
	761.14	578.72
Opening Stock		
– Finished Goods	**318.79**	218.18
– Stock in Process - Others	**30.83**	50.79
– Stock in Process - Chips	**229.10**	310.28
	578.72	579.25
Add : Increase/(Decrease) in Excise Duty on Stocks	**(9.59)**	(7.01)
TOTAL	**192.01**	6.48

SCHEDULE 12
MANUFACTURING EXPENSES

	Current Year (Rs. in Lacs)	Previous Year (Rs. in Lacs)
Raw Materials Consumed	**11164.24**	7805.73
(Read together with Note 3 of Schedule 15)		
Stores & Spares Consumed	**830.20**	648.99
Packing Material Consumed	**465.25**	428.16
Power & Fuel	**1775.05**	1590.51
Repairs and Maintenance		
– Building	**34.10**	14.79
– Plant & Machinery	**45.03**	76.87
TOTAL	**14313.87**	10565.05

SCHEDULE 13
OPERATING AND OTHER EXPENSES

	Current Year (Rs. in Lacs)	Previous Year (Rs. in Lacs)
PERSONNEL EXPENSES		
Salaries, Wages and Allowances	**774.90**	726.11
Contribution to Provident and other Funds	**41.21**	37.00
Staff Welfare Expenses	**112.63**	72.46
Sub Total	**928.74**	835.57
ADMINISTRATIVE EXPENSES		
Rent (including lease rent Rs.9.97 Lacs, Previous Year Rs.9.97 Lacs)	**22.13**	22.60
Electricity & Water Charges (Net)	**47.06**	48.85
Repairs & Maintenance (Net)	**24.98**	24.26
Rates and Taxes	**32.49**	33.82
Postage and Telephone	**82.01**	76.59
Printing and Stationery	**18.85**	22.29
Travelling and Conveyance	**279.55**	181.41
Vehicle Expenses	**54.39**	44.85
Insurance	**276.89**	207.80
Legal and Professional Fee	**247.74**	289.62
Miscellaneous Expenses	**177.16**	155.42
Director's Sitting Fee	**11.20**	6.60
Sub Total	**1274.45**	1114.11
SELLING EXPENSES		
Advertisement	**0.73**	7.04
Sales Promotion	**15.08**	14.94
Freight	**869.92**	626.01
Sample to Customers	**1.60**	0.00
Commission on Sales	**151.92**	116.48
Sub Total	**1039.25**	764.47
OTHER EXPENSES		
Asset Written Off	**17.13**	17.15
Loss on Sale of Fixed Assets (Net of Profit of Rs.18.34 Lacs, Previous Year - Nil)	**143.25**	0.00
Loss on sale of Long Term Investment	**4.65**	0.00
Excise Duty (Net of Recovery)	**5.34**	11.46
Donation	**4.80**	74.79
Previous Year Expenses (Net of Income - Nil, Previous Year - Rs.0.59 Lacs)	**0.00**	0.27
Provision for Doubtful Debts	**3.61**	0.00
Sundry Balances Written Off (Net)	**17.12**	0.13
Bad Debts Written Off	**8.56**	12.24
Sub Total	**204.46**	116.04
TOTAL	**3446.90**	2830.19

SCHEDULE 14
INTEREST & FINANCE CHARGES

	Current Year (Rs. in Lacs)	Previous Year (Rs. in Lacs)
Interest on Term Loans/Debentures	**645.40**	685.61
Interest on Working Capital Loans	**125.38**	135.33
	770.78	820.94
Less : Interest on Deposits and Others (Tax Deducted at source Rs.2.62 Lacs, Previous Year Rs.2.88 Lacs)	**33.82**	37.56
Less : Forward Cover Premium	**0.00**	27.60
Add : Forward Cover Loss	**2.36**	0.00
	739.32	755.78
Bank & Other Financial Charges	**250.83**	145.78
TOTAL	**990.15**	901.56

Notes to Accounts

SCHEDULE 15
NOTES TO ACCOUNTS AND SIGNIFICANT ACCOUNTING POLICIES

A. NOTES TO ACCOUNTS

1. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of Advances) - Rs.114.78 Lacs. (Previous Year Rs.657.20 Lacs).

2. Contingent Liabilities not provided for in respect of :

   (a) Claims against the Company not acknowledged as debts - Rs.345.94 Lacs (Previous Year Rs.291.96 Lacs).

   (b) Bills discounted with banks - Rs.206.71 Lacs (Previous Year Rs.178.75 Lacs).

   (c) Custom duty (excluding interest and penalty) which may arise if obligation for exports is not fulfilled against import of machinery under Export Promotion Capital Goods (EPCG) Scheme: -

(Rs.in Lacs)

	Current Year	Previous Year
Gross of Modvat	**318.00**	453.91
Net of Modvat	**148.60**	272.09

   (d) Counter Guarantees given to the banks - Rs.290.68 Lacs (Previous Year Rs.255.61 Lacs), including Rs.Nil (Previous Year Rs.23.50 Lacs) on behalf of other body corporates.

   (e) Uncalled liability on shares partly paid Rs.Nil (Previous Year Rs 722.95 Lacs).

   (f) Disputed Income tax matters under appeal Rs.142.95 Lacs (Previous Year Rs.72.79 Lacs).

3. Export Benefits constituting the following are accounted for on accrual basis and have been credited to Raw Material Consumed Account:

   (a) Import duty benefit under Duty Exemption Pass Book (DEPB) Scheme and profit/loss on sale of DEPB aggregating to Rs.285.30 Lacs (Previous Year Rs.646.86 Lacs).

   (b) Import duty benefit under Advance Licence Scheme of Rs.51.28 Lacs (Previous year - Nil).

   (c) Duty credit entitlement of Rs.194.45 Lacs (Previous Year Nil), equivalent to 10% of the incremental Exports over the previous year as per Target Plus Scheme notified by the Director General of Foreign Trade, Ministry of Commerce & Industry, Government of India.

4. The Company's investment in the preference share capital of its subsidiary viz. Polyplex (Thailand) Public Company Limited (formerly known as Polyplex (Thailand) Ltd.) was redeemed at par during the year. Due to the adverse currency movement there is an exchange loss of Rs.51.00 Lacs (Net).

5. The expenditure on Research & Development has been debited to the respective heads of account since such expenses cannot be segregated in view of the peculiar nature of activities relating to such work.

6. Sundry Creditors include Rs.28.99 Lacs (Previous Year Rs.22.17 Lacs) due to Small Scale Industrial Undertakings to the extent such parties have been identified from available information and Rs.608.19 Lacs (Previous Year Rs.637.97 Lacs) due to other creditors. The Small Scale Industrial Undertakings to whom the Company owes and which are outstanding for more than 30 days are:
   (a) M/s Techno Packing
   (b) M/s Sundeep Bobbins
   (c) M/s Board Paper & Laminators
   (d) M/s Ruchira Packaging Products
   (e) M/s Hitkari Industries Limited
   (f) M/s Arihant Plywood Industries
   (g) M/s Jaina Sons
   (h) M/s Chemico Chemicals Pvt. Ltd.

7. Capital work in progress includes equipment not yet installed, construction/erection material, construction/erection work and machinery at site and/or in transit.

8. Advances recoverable in cash or in kind includes Loans and advances in the nature of Loans:

Notes to Accounts

	Balance as at March 31, 2005 (Rs.in Lacs)	Maximum Outstanding during the Year (Rs.in Lacs)	Balance as at March 31, 2004 (Rs.in Lacs)	Maximum Outstanding during the Year (Rs.in Lacs)
(a) **Subsidiary Company**				
Polyplex (Thailand) Public Company Limited*	**0.00**	17.89	5.46	21.07
(b) **Others**				
Interest free				
Employees	**43.99**	56.86	59.19	69.99
Global Solar Energy (India) Ltd.,	**0.00**	5.00	5.00	5.00

* Earlier known as Polyplex (Thailand) Limited

9. Remuneration to Auditors :

	Current Year (Rs.in Lacs)	Previous Year (Rs.in Lacs)
– Audit fee*	**2.76**	2.43
– Tax audit fee*	**0.44**	0.38
– Certification & other fee*	**1.29**	1.42
– Out of pocket expenses	**0.28**	0.30
TOTAL	**4.77**	4.53

* includes service tax and education cess, as applicable

10. Particulars in respect of:

(a) Licensed & Installed Capacity* -

(Qty. in MT.)

	Current Year		Previous Year	
	Licensed/ registered	**Installed**	Licensed/ registered	Installed
– Plain Film	**20000**	**20000**	20000	20000
– Metallised Film	**4800**	**4800**	4800	4800
– Polyester Chips	**20000**	**20000**	20000	20000

* As certified by Management.

b) Production -

(Qty. in MT.)

	Current Year	Previous Year
Plain/Metallised Film		
– Net Production	**19979**	18952
- Packed Prodn.**	**20517**	19046
Polyester Chips***	**19326**	18209

** Includes 442 MT (Previous Year 21 MT) purchased and reprocessed during the year.

*** Captive consumption 19162 MT (Previous Year 18268 MT).

11. Stock & Sales :

	Current Year		Previous Year	
	Qty. (M.T.)	**Value (Rs.in Lacs)**	Qty. (M.T.)	Value (Rs. in Lacs)
(a) Opening Stock				
Plain/Metallised Film	**425**	**312.08**	270	207.36
(b) Closing Stock*				
Plain/Metallised Film	**418 ****	**357.31**	425 **	312.08
(c) Sales***				
Plain/Metallised Film	**20428**	**20237.73**	18818	18472.60
Others	**–**	**291.06**	–	152.28
Total Sales		**20528.79**		18624.88

* Includes 98 MT (Previous Year 87 MT) material in transit.

** Includes 2 MT (Previous Year 12 MT) material purchased and reprocessed.

*** Includes sale of by-product, scrap, cost of product samples, shortages & claims, and reprocessed Film 452 MT (Previous Year 9 MT).

12. Particulars of Raw Materials consumed :

	Current Year		Previous Year	
	Qty. (M.T.)	**Value# (Rs. in Lacs)**	Qty. (M.T.)	Value# (Rs. in Lacs)
Polyester Chips (Bought out)	**1387**	**768.18**	1070	470.96
PTA	**16700**	**6345.72**	15743	4695.11
MEG	**6625**	**3371.29**	6241	2405.52
Polyester Film	**442**	**412.78**	21	9.53
Additives	**–**	**266.27**	–	224.61
TOTAL		**11164.24**		7805.73

\# Net of export incentives etc. read with Note No. 3.

13. Value and percentage of imported and indigenous raw materials and stores & spares consumed :

	Current Year		Previous Year	
	Value (Rs.in Lacs)	**%**	Value (Rs.in Lacs)	%
Raw Materials#				
– Imported	**684.44**	**6.13**	406.72	5.21
– Indigenous	**10479.80**	**93.87**	7399.01	94.79
TOTAL	**11164.24**	**100.00**	7805.73	100.00
Stores & Spares				
– Imported	**616.70**	**74.28**	367.67	56.65
– Indigenous	**213.50**	**25.72**	281.32	43.35
TOTAL	**830.20**	**100.00**	648.99	100.00

\# Net of export incentives etc. read with Note No. 3.

Notes to Accounts

14. **Expenditure in foreign currency:**

	Current Year (Rs.in Lacs)	Previous Year (Rs.in Lacs)
Travelling	**88.08**	52.50
Consultation fees	**94.39**	109.44
Interest	**186.31**	52.60
Brokerage & Commission	**153.78**	46.97
Others	**29.59**	8.61
TOTAL	**552.15**	270.12

15. **Earnings in Foreign Exchange :**

	Current Year (Rs.in Lacs)	Previous Year (Rs.in Lacs)
FOB Value of Exports (Including deemed exports Rs.1094.09 Lacs) (Previous Year Rs.965.17 Lacs)	**8409.56**	6257.03
Others	**0.00**	0.93
TOTAL	**8409.56**	6257.96

16. **Dividend remitted in Foreign Currency :**

Particulars	**2004-05**	**2003-04**
Final Dividend	w.r.t F.Y. **2003-04**	w.r.t F.Y. 2002-03
Amount of dividend (Rs.in Lacs)	**115.39**	101.33
Number of non-resident shareholders	**3**	5
Number of shares held by these non-residents	**57,69,856**	67,55,595
Interim Dividend	w.r.t F.Y. **2004-05**	w.r.t F.Y. 2003-04
Amount of dividend (Rs.in Lacs)	**288.49**	134.81
Number of non-resident shareholders	**3**	5
Number of shares held by these non-residents	**57,69,856**	67,40,595

17. **CIF Value of imports :**

	Current Year (Rs.in Lacs)	Previous Year (Rs.in Lacs)
Raw material	**710.72**	340.27
Stores & spares, Chemicals and Packing material	**640.92**	401.82
Capital Goods	**947.37**	48.50
TOTAL	**2299.01**	790.59

18. **Particulars of remuneration to Managing/Wholetime Director:**

	Current Year (Rs.in Lacs)	Previous Year (Rs.in Lacs)
Salary	**6.00**	6.00
Contribution to Provident and other Funds	**1.50**	1.50
Perquisites and other benefits *	**7.05**	6.47
TOTAL	**14.55**	13.97

* Exclusive of provision for gratuity and leave encashment.

19. **Earnings Per Share (EPS)**

	Current Year	Previous Year
Net Profit for the year (Rs.in Lacs)	**1314.64**	2627.81
No of Equity shares of Rs.10 each fully paid up	**1,46,42,300**	1,46,42,300
Basic and diluted EPS (Rs.)	**8.98**	17.95

20. **Segment Reporting :**

i) The Company is in only one line of business namely Polyester Film.

ii) The Segment Revenue in the geographical segments considered for disclosure is as follows:

(a) Revenue inside India include sales to customers located within India

(b) Revenue outside India include sales to customers located outside India.

Information about Geographical Segments (by location of customers) **(Rs.in Lacs)**

	Within India	Outside India	Total
1. External Revenue- Sales & Other Income	**13603.99** *(13462.48)*	**7741.77** *(5571.16)*	**21345.76** *(19033.64)*
2. Carrying Amount of Segment Assets by location of assets	**15966.68** *(15299.68)*	**2210.77** *(825.01)*	**18177.45** *(16,124.69)*
3. Capital Expenditure	**1324.85** *(520.31)*	**0.00** *(0.00)*	**1324.85** *(520.31)*

Figures in brackets represent Previous Year figures.

21. **Related Party Disclosures (as identified by Management).**

Related Party Disclosures as required by AS-18, "Related Party Disclosures" are given below:

Notes to Accounts

A. Parties where control exists

Subsidiary Companies

- Polyplex (Thailand) Public Company Limited (PTL) (formerly known as Polyplex (Thailand) Limited).
- Polyplex (Asia) Pte. Limited (PAPL) (w.e.f 29.07.2004)
- Polyplex (Singapore) Pte. Limited (PSPL) (w.e.f 21.07.2004)
- Polyplex Europa Polyester Film Sanayi Ve Ticaret A.S. (PE) (w.e.f 20.09.2004)

B. Other related parties with whom transactions have taken place during the year

Key Management Personnel & their relatives

- Shri Sanjiv Saraf (Chairman)
- Shri Pranay Kothari (Whole Time Director)

Enterprises over which Key Management Personnel, their relatives and major shareholders have significant influence:

- Beehive Systems Limited
- Sanjiv Sarita Investments Private Limited
- Polyplex Infotech Private Limited
- Manupatra Information Solutions Private Limited (formerly : Manupatra.com Private Limited)
- Altivolus Infotech Pvt. Limited
- Shubra Ketu Foundation

C. Nature of Transactions with related parties

Rs.in Lacs

		Subsidiaries of the Company	Key Management Personnel	Enterprises over which significant Influence exists	Total
1	**Purchase of Material/Services**	– (–)	– (–)	1.02 (15.97)	1.02 (15.97)
2	**Sale of Material/Services**	– (–)	– (–)	55.75 (51.28)	55.75 (51.28)
3	**Managerial Remuneration**	– (–)	14.55 (13.97)	– (–)	14.55 (13.97)
4	**Director's Sitting fee**	– (–)	3.40 (1.70)	– (–)	3.40 (1.70)
5	**Advances given during the year**	22.88 (29.60)	– (–)	– (–)	22.88 (29.60)
6	**Advance against Share Application Money ***	5552.96 (2697.80)	– (–)	– (–)	5552.96 (2697.80)
7	**Investment in Shares ***	5578.62 (2678.23)	– (–)	– (6.88)	5578.62 (2685.11)
8	**Redemption of Shares**	5950.41 (–)	– (–)	– (–)	5950.41 (–)
9	**Donations**	– (–)	– (–)	– (68.00)	– (68.00)
	Outstanding as at year end				
10	**Receivables**	– (5.46)	7.67 (9.67)	– (2.79)	7.67 (17.92)
11	**Investment in Equity/ Preference Shares**	6302.13 (6673.92)	– (–)	– (6.98)	6302.13 (6680.90)
12	**Share Application Money**	– (25.65)	– (–)	– (–)	– (25.65)

Notes:

1. Guarantee given by Key Management Personnel for loans from Banks/Financial Institutions (refer notes to Schedule 3).
2. Figures in bracket ( ) indicate previous year figures.

* Setoff on allotment

22. In accordance with the provisions of Accounting Standard on Impairment of Assets (AS - 28), the management has made assessment of assets considering the business prospects related thereto and, accordingly, no provision on account of impairment of assets is considered necessary in these accounts.

23. Figures for previous year have been regrouped and/or rearranged, wherever considered necessary to conform to the current year's classification.

24. Figures in the Balance Sheet and Profit and Loss Account have been expressed in Rs.Lacs with two decimals.

B. Significant Accounting Policies

1. Basis of Accounting

The Company follows the mercantile system of accounting and recognises Income and Expenditure on accrual basis. The accounts are prepared under the historical cost convention, in accordance with applicable accounting standards and generally accepted accounting principles.

2. Fixed Assets/Capital work in progress

(a) Fixed Assets are stated at cost of acquisition less accumulated depreciation and impairment loss, if any.

(b) Expenditure during construction/ erection period is included under capital work in progress and are allocated to the respective fixed assets on completion of construction/erection.

3. Borrowing Costs

Borrowing costs attributable to acquisition/ construction of qualifying assets are capitalised with the respective assets and other borrowing costs are charged to the Profit and Loss Account.

4. Investments

Long-term investments are stated at cost less provision for permanent diminution in the value of such investments. Current investments are stated at lower of cost and net realisable value.

5. Depreciation/Amortisation

Depreciation on fixed assets (including assets acquired under finance lease) is provided on Straight Line Method, except on fixed assets at Khatima of the first Polyester Film Line on which depreciation is provided on Written Down Value method, and at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. Additions to Fixed Assets on account of foreign exchange fluctuation are depreciated prospectively over the residual life of the Fixed Assets. Leasehold land is amortised over the period of lease. Plant & Machinery pertaining to the polyester film lines has been considered as continuous process as per technical assessment.

6. Foreign Currency Transactions

Foreign currency transactions are accounted for at exchange rate on the date of transaction. Exchange differences arising on settlement of foreign currency transactions are taken to the Profit and Loss account except relating to fixed assets procured from outside India, which is adjusted in the cost of fixed assets. All foreign currency assets and liabilities as at the Balance Sheet date are restated at the applicable exchange rate prevailing on that date. Such increase/decrease relating to fixed assets procured from outside India is adjusted to the cost of fixed assets and that relating to other items is taken to the Profit and Loss Account. In case of forward foreign exchange contracts, exchange differences are dealt with in the Profit and Loss Account over the life of the contract except those relating to fixed assets procured from outside India, in which case the differences are adjusted in carrying cost of the fixed assets.

Investment in shares of foreign subsidiary companies is stated at the exchange rate on transaction date.

7. Inventories

(a) Inventories are valued as follows: -

(i) Raw Materials and Stores & Spares - At lower of cost and net realisable value.

(ii) Stock in process and finished goods - At lower of cost and net realisable value.

(b) Cost for the purpose of valuation has been determined as under: -

(i) Raw material and stores & spares - Weighted Average cost

(ii) Stock in Process and Finished Goods - At raw material cost, labour and related overheads including administrative overheads and depreciation.

8. Research & Development Expenditure

Revenue expenditure on research and development is charged against the profit for the year in which it is incurred and capital expenditure is added to the cost of fixed assets in the year in which it is incurred.

9. Retirement Benefits

Company's contribution to Provident Funds and Superannuation Fund are charged to Profit and Loss Account. Leave encashment benefit is provided on accrual basis as determined on actuarial valuation. Gratuity is accrued on actuarial valuation basis and funded through a trust for which a policy with Life Insurance Corporation of India has been taken.

10. Government Grants

Grants relating to fixed assets are shown as deduction from the gross value of the fixed assets and those of the nature of Project Capital subsidy are credited to Capital reserve. Other Government grants are credited to Profit and loss account or deducted from the related expenses.

11. Provision for Tax

Current tax is determined as the amount of tax payable in respect of estimated taxable income for the year and in accordance with the provisions of Income Tax Act 1961. Deferred tax is recognised using the enacted/ subsequently enacted tax rates and laws as on the Balance Sheet date, subject to the consideration of virtual/ reasonable certainity of realisation in respect of deferred tax assets, on all timing differences, between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

12. Leases

Assets acquired under finance lease, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value and the present value of the minimum lease payments at the inception of the lease term and are disclosed in the Fixed Assets. Lease payments are apportioned between the finance charges and the reduction of lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

13. Impairment

The carrying amount of the Company's assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment of asset.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of Net selling price and Value in use.

Post impairment, depreciation is provided on the revised carrying value of the assets over the remaining useful life of asset.

14. Provisions, Contingent Liabilities and Contingent Assets

A provision is made/recognised, based on the management estimate required to settle the obligation at balance sheet date, when the Company has a present obligation as a result of past event and it is possible that an outflow embodying economic benefit will be required to settle the obligation. Contingent liabilities, if material, are disclosed by way of notes. Contingent assets are not recognised or disclosed in the financial statement.

Notes to Accounts

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.	**11596**	State Code	**20**
Balance Sheet Date	**31.03.2005**		

II. Capital Raised during the year (Amount Rs.in Thousands)

Public Issue	**Nil**	Rights Issue	**Nil**
Bonus Issue	**Nil**	Private Placement	**Nil**

III. Position of Mobilisation and Deployment of Funds (Amount Rs.in Thousands)

Total Liabilities	**2503147**	Total Assets	**2503147**
Source of Funds			
Paid up Capital	**152209**	Reserves & Surplus	**1007195**
Secured Loans	**825315**	Unsecured Loans	**175000**
Deferred Tax Liability (net)	**171824**		
Application of Funds			
Net Fixed Assets	**1045177**	Investments	**671951**
Net Current Assets	**614415**		

IV. Performance of Company (Amount Rs.in Thousands)

Turnover	**2140697**	Total Expenditure	**1952821**
Profit Before Tax	**187876**	Profit After Tax	**131464**
Earning Per Share (Rs.)	**8.98**	Dividend	**80%**

V. Generic Names of Three Principal Products of Company (as per monetary terms)

Product Description	Item Code no. (ITC Code)
Polyester Film	**392069**
Polyester Chips	**392069**

As per our report of even date attached
For **Lodha & Co.,**
Chartered Accountants

Signatures to Schedule 1 to 15

N.K. Lodha
Partner

Pranay Kothari
Executive Director

S.G. Subrahmanyan
Vice-Chairman

B.K. Soni
M.K. Jain
O.P. Mehra
Sanjiv Chadha
Directors

A.K. Gurnani
Company Secretary

Sanjiv Saraf
Chairman

Place : New Delhi
Date : June 17, 2005

Place : NOIDA

Cash Flow Statement

FOR THE YEAR ENDED MARCH 31, 2005

	2004-05 Rs. in Lacs		2003-2004 Rs. in Lacs	
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit Before Tax		**1878.76**		3851.37
Adjustments for :				
Depreciation	**918.30**		921.56	
Prov. for Doubtful Debts	**3.61**		0.00	
Interest (Net)	**990.15**		901.56	
Loss on Sale of Investments	**4.65**		0.00	
Exchange Loss on Redemption of Investments	**51.00**		0.00	
Excess Provision Written Back	**–38.08**		–4.91	
Loss/Profit on Sale of Fixed Assets (Net)	**143.25**		–4.45	
Assets written off	**17.13**		17.15	
Profit on Sale of Investments	**–61.21**		–27.98	
Dividend Received	**0.00**	**2028.80**	–1.63	1801.30
Operating Profit Before Working Capital Changes		**3907.56**		5652.67
Adjustments for :				
Trade and Other Receivables	**–1708.11**		–659.91	
Inventories	**–246.36**		–59.36	
Trade Payables	**–147.11**	**–2101.58**	–136.99	–856.26
Cash Generated from Operations		**1805.98**		4796.41
Direct Taxes Paid (Net of Refunds)		**–772.78**		–1196.89
Net Cash from Operating Activities		**1033.20**		3599.52
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	**–1491.35**		–388.03	
Sale of Fixed Assets	**312.80**		43.16	
Inter Corporate Deposits	**0.00**		50.00	
Purchase of Long Term Investments	**–5552.97**		–2704.68	
Purchase of Short Term Investments	**–22995.00**		–5650.00	
Sale of Long Term Investments	**5924.77**		0.00	
Sale of Short Term Investments	**23446.21**		4877.98	
Interest/Dividend Received	**39.74**		77.14	
Net Cash Used in Investing Activities		**-315.80**		–3694.43
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from Long Term Borrowings	**3500.00**		1700.00	
Repayment of Long Term Borrowings	**–2760.72**		–1229.06	
Net Proceeds from Short Term Borrowings	**888.00**		290.05	
Interest Paid	**–1022.09**		–834.90	
Dividends Paid	**–1011.82**		–506.74	
Tax on Distributed Profits	**–133.95**		–65.66	
Increase in Share Capital	**0.00**		0.00	
Net Cash Used in Financing Activities		**–540.58**		–646.31

	2004-05 Rs. in Lacs	2003-2004 Rs. in Lacs
Net Increase in Cash and Cash Equivalents	**176.82**	–741.22
Cash and Cash Equivalents as at 01.04.2004 (Opening Balance)	**304.88**	1046.10
Cash and Cash Equivalents as at 31.03.2005 (Closing Balance)	**481.70**	304.88

NOTES :
1. Cash and Cash equivalents represent Cash and Bank Balances as per Schedule 7.
2. Previous Year figures have been regrouped wherever necessary.

As per our report of even date attached
For **Lodha & Co.,**
Chartered Accountants

For and on behalf of the Board

N.K. Lodha
Partner

Pranay Kothari
Executive Director

S.G. Subrahmanyan
Vice-Chairman

B.K. Soni
M.K. Jain
O.P. Mehra
Sanjiv Chadha
Directors

A.K. Gurnani
Company Secretary

Sanjiv Saraf
Chairman

Place : New Delhi
Date : June 17, 2005

Place : NOIDA

Auditors' Report

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF POLYPLEX CORPORATION LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF POLYPLEX CORPORATION LIMITED AND ITS SUBSIDIARIES

We have examined the attached Consolidated Balance Sheet of Polyplex Corporation Limited and its subsidiaries as at 31st March 2005, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year then ended.

The Consolidated financial statements are the responsibility of the management of Polyplex Corporation Limited. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Generally Accepted Auditing Standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of the foreign subsidiaries M/s. Polyplex (Asia) Pte. Ltd., Polyplex (Thailand) Public Company Ltd., Polyplex (Singapore) Pte. Ltd. and Polyplex Europa Polyester Film Sanayi ve Ticaret A.S. whose financial statements reflect total assets of Rs.56458.88 Lacs as at 31st March 2005 and total revenues of Rs.37134.18 Lacs for the year then ended. These financial statements have been audited by other auditors, as per applicable GAAP in their respective country, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors.

We report that the consolidated financial statements have been prepared by the management of the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India.

On the basis of the information and explanation given to us and on the consideration of the separate audit reports on individual audited financial statements of Polyplex Corporation Limited and its aforesaid subsidiaries, read together with Notes on Accounts of Consolidated Financial Statements, we are of the opinion that:

(a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Polyplex Corporation Limited and its subsidiaries as at 31st March 2005;

(b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Polyplex Corporation Limited and its subsidiaries for the year then ended; and

(c) the Consolidated Cash Flow Statement of the cash flows of Polyplex Corporation Limited and its subsidiaries for the year then ended.

For **Lodha & Co.**
Chartered Accountants

Place : New Delhi
Dated: June 17, 2005

N. K. Lodha
Partner
Membership No. 85155

Consolidated Balance Sheet

AS AT MARCH 31, 2005

	Schedule	As at 31.3.2005 (Rs. in Lacs)	As at 31.3.2004 (Rs. in Lacs)
I. SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	**1522.09**	1522.09
Reserves & Surplus	2	**28930.92**	14001.42
Minority Interest	3	**10773.75**	0.00
Loan Funds			
Secured Loans	4	**8253.15**	17081.24
Unsecured Loans	5	**1750.00**	800.00
Deffered Tax Liability (Net)	6	**1718.23**	1880.02
	TOTAL	**52948.14**	35284.77
II. APPLICATION OF FUNDS			
Fixed Assets	7		
Gross Block		**45110.07**	38477.01
Less: Depreciation		**12234.39**	10410.86
Net Block		**32875.68**	28066.15
Capital work in progress		**2489.43**	60.37
		35365.11	28126.52
Investments	8	**1541.21**	837.38
Current Assets, Loans and Advances	9		
Inventories		**5523.62**	3422.92
Sundry Debtors		**10525.02**	6106.67
Cash and Bank Balances		**4868.05**	596.49
Loans and Advances		**2963.62**	2091.34
		23880.31	12217.42
Less : Current Liabilities & Provisions	10		
Current Liabilities		**7310.82**	5611.84
Provisions		**527.67**	357.28
		7838.49	5969.12
Net Current Assets		**16041.82**	6248.30
Miscellaneous Expenditure		**0.00**	72.57
	TOTAL	**52948.14**	35284.77
Notes to Accounts and Significant Accounting Policies	16		

As per our report of even date attached
For **Lodha & Co.,**
Chartered Accountants

Schedule referred to above forms an integral part of the Balance Sheet

N.K. Lodha
Partner

Pranay Kothari
Executive Director

S.G. Subrahmanyan
Vice-Chairman

B.K. Soni
M.K. Jain
O.P. Mehra
Sanjiv Chadha
Directors

A.K. Gurnani
Company Secretary

Sanjiv Saraf
Chairman

Place : New Delhi
Date : June 17, 2005

Place : NOIDA

Consolidated Profit and Loss Account

FOR THE YEAR ENDED MARCH 31, 2005

	Schedule	Current Year (Rs. in Lacs)	Previous Year (Rs. in Lacs)
I. INCOME			
Sales & Operational Income (Net of Excise of Rs.1918.54 Lacs, Previous Year Rs.1999.34 Lacs)		**57030.33**	37272.96
Other Income	11	**1250.68**	875.08
Stock Accretion/(Decretion)	12	**622.80**	591.46
	TOTAL	**58903.81**	38739.50
II. EXPENDITURE			
Manufacturing Expenses	13	**37672.90**	22688.51
Operating and other Expenses	14	**7692.49**	5124.56
Interest & Finance Charges (Net)	15	**1475.24**	1252.85
	TOTAL	**46840.63**	29065.92
Profit before Depreciation		**12063.18**	9673.58
Depreciation		**2064.55**	1672.39
		9998.63	8001.19
Less : Exceptional Items Loss on Redemption of Preference Shares		**51.00**	0.00
Profit after Exceptional Items		**9947.63**	8001.19
Less: Provision For Tax			
– Current Tax		**729.43**	1166.16
– Deferred Tax		**(161.78)**	56.14
		9379.98	6778.89
Add : Prior period adjustments - tax		**0.00**	(1.26)
Profit After Tax		**9379.98**	6777.63
Less : Minority Interest		**2421.26**	0.00
Profit after Tax and Minority Interest		**6958.72**	6777.63
Add : Surplus brought forward		**8992.17**	3592.03
Add : Debenture Redemption Reserve written back		**750.00**	8.25
Available for Appropriation		**16700.89**	10377.91
Transferred to General Reserve		**535.83**	300.00
Debenture Redemption Reserve		**0.00**	425.00
Proposed Dividend		**439.27**	292.85
Interim Dividend		**732.12**	292.85
Corporate Dividend Tax		**158.04**	75.04
Surplus carried to Balance Sheet		**14835.63**	8992.17
Basic and diluted Earning Per Share (in Rs.)		**47.52**	46.29
Notes to Accounts and Significant Accounting Policies	16		

As per our report of even date attached
For **Lodha & Co.,**
Chartered Accountants

Schedules referred to above form an integral part of the Profit and Loss Account

N.K. Lodha
Partner

Pranay Kothari
Executive Director

S.G. Subrahmanyan
Vice-Chairman

B.K. Soni
M.K. Jain
O.P. Mehra
Sanjiv Chadha
Directors

A.K. Gurnani
Company Secretary

Sanjiv Saraf
Chairman

Place : New Delhi
Date : June 17, 2005

Place : NOIDA

Schedules

SCHEDULE 1
SHARE CAPITAL

	As at 31.3.2005 (Rs. in Lacs)	As at 31.3.2004 (Rs. in Lacs)
AUTHORISED CAPITAL		
3,00,00,000 Equity Shares of Rs.10 each	**3000.00**	3000.00
ISSUED & SUBSCRIBED CAPITAL		
1,58,38,000 Equity Shares of Rs.10 each	**1583.80**	1583.80
PAID-UP CAPITAL		
1,46,42,300 Equity Shares of Rs.10 each fully paid up	**1464.23**	1464.23
Add: Share Forfeiture Account	**57.86**	57.86
TOTAL	**1522.09**	1522.09

SCHEDULE 2
RESERVES & SURPLUS

	As at 31.3.2005 (Rs. in Lacs)	As at 31.3.2004 (Rs. in Lacs)
CAPITAL RESERVE		
Per last Balance Sheet	**25.00**	25.00
Additions during the year	**0.00**	0.00
	25.00	25.00
SHARE PREMIUM		
Per last Balance Sheet	**2030.43**	2030.43
Additions during the year	**15285.01**	0.00
Less: Minority interest	**4585.50**	0.00
	12729.94	2030.43
GENERAL RESERVE		
Per last Balance Sheet	**1380.29**	1080.29
Additions during the year	**535.83**	300.00
	1916.12	1380.29
DEBENTURE REDEMPTION RESERVE		
Per last Balance Sheet	**1550.00**	1133.25
Additions during the year	**0.00**	425.00
Transferred to Profit & Loss Account	**750.00**	8.25
	800.00	1550.00
PROFIT & LOSS ACCOUNT		
Per last Balance Sheet	**8992.17**	3592.03
Additions during the year	**8264.72**	5400.14
Less : Minority Interest	**3588.60**	0.00
	13668.29	8992.17
FOREIGN EXCHANGE TRANSLATION RESERVE		
Per last Balance Sheet	**23.53**	(66.53)
Additions during the year	**(309.08)**	90.06
Less : Minority Interest	**(77.12)**	0.00
	(208.43)	23.53
TOTAL	**28930.92**	14001.42

SCHEDULE 3
MINORITY INTEREST

	As at 31.3.2005 (Rs. in Lacs)	As at 31.3.2004 (Rs. in Lacs)
Share Capital	**2676.77**	0.00
Share Premium	**4585.50**	0.00
Profit & Loss A/c	**3588.60**	0.00
Foreign Exchange Translation Reserve	**(77.12)**	0.00
TOTAL	**10773.75**	0.00

SCHEDULE 4
SECURED LOANS

	As at 31.3.2005 (Rs. in Lacs)	As at 31.3.2004 (Rs. in Lacs)
(a) 8.95% Redeemable Non Convertible Debentures of Rs.100000/- each	**1500.00**	1500.00
(b) 8.75% Redeemable Non Convertible Debentures of Rs.100000/- each	**0.00**	625.00
(c) 12.70% Redeemable Non Convertible Debentures of Rs.100/- each	**0.00**	2000.00
(d) 9.00% Redeemable Non Convertible Debentures of Rs.100/- each	**1700.00**	1700.00
(e) Loans from Financial Institutions		
– Foreign Currency Term Loans	**0.00**	9591.84
– Corporate Rupee Loan	**0.00**	87.00
(f) Loans from Banks		
– Rupee Term Loans	**126.65**	88.90
– Foreign Currency Term Loans	**1750.00**	0.00
– Working Capital Loans		
– Foreign Currency Working Capital Demand Loans	**1398.95**	439.20
– Cash Credit	**3.96**	8.08
– Export Packing Credit Rupee Loan	**0.00**	40.00
– Export Packing Credit Foreign Currency Loan	**1773.59**	1001.22
TOTAL	**8253.15**	17081.24

SCHEDULE 5
UNSECURED LOANS

	As at 31.3.2005 (Rs. in Lacs)	As at 31.3.2004 (Rs. in Lacs)
Corporate FC Loan from Bank	**1750.00**	0.00
Commercial Paper	**0.00**	800.00
TOTAL	**1750.00**	800.00

SCHEDULE 6
DEFERRED TAX ASSETS AND LIABILITIES
(Arising out of timing differences in)

	As at 31.3.2005 (Rs. in Lacs)	As at 31.3.2004 (Rs. in Lacs)
DEFERRED TAX ASSETS		
Disallowances as per Income Tax Act	**11.52**	15.82
	11.52	15.82
DEFERRED TAX LIABILITY		
Depreciation	**(1729.75)**	(1895.84)
	(1729.75)	(1895.84)
DEFERRED TAX LIABILITY (NET)	**(1718.23)**	(1880.02)

SCHEDULE 7
FIXED ASSETS

(Rs. in Lacs)

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1.04.04	Additions during the year	Sale/ Adjust-ments#	**As at 31.03.05**	Upto 1.04.04	For the Year	Sale/ Adjust-ments	**Upto 31.03.05**	**As at 31.03.05**	As at 31.3.04
Freehold Land	707.70	639.17	200.86	**1146.01**	0.00	0.00	0.00	**0.00**	**1146.01**	707.70
Leasehold Land	472.59	0.00	0.00	**472.59**	42.01	5.25	0.00	**47.26**	**425.33**	430.58
Buildings	3989.17	488.82	185.42	**4292.57**	657.57	129.96	7.90	**779.63**	**3512.94**	3331.60
Plant & Machinery	31606.13	5946.91	313.42	**37239.62**	9173.76	1722.70	187.08	**10709.38**	**26530.24**	22432.37
Electrical Installations	468.04	70.27	10.11	**528.20**	120.58	22.28	1.87	**140.99**	**387.21**	347.46
Furniture & Fixtures	386.28	59.66	5.81	**440.13**	101.60	49.30	4.21	**146.69**	**293.44**	284.68
Office Equipments	419.37	80.61	20.57	**479.41**	180.44	62.89	12.00	**231.33**	**248.08**	238.93
Vehicles	427.73	132.19	52.15	**507.77**	134.90	71.88	27.96	**178.82**	**328.95**	292.83
Rights	0.00	3.77	0.00	**3.77**	0.00	0.29	0.00	**0.29**	**3.48**	0.00
Total	38477.01	7421.40	788.34	**45110.07**	10410.86	2064.55	241.02	**12234.39**	**32875.68**	28066.15
Previous Year	20215.79	18355.33	94.11	**38477.01**	8753.33	1672.39	14.86	**10410.86**	**28066.15**	
Capital Work in Progress									**2489.43**	0.00

Sales/Adjustment includes adjustment of foreign exchange fluctuation of Rs.74.14 Lacs

SCHEDULE 8
INVESTMENTS (at Cost Less Provisions)

	Face Value Rs.	**Nos. 31.3.2005**	Nos. 31.3.2004	**As at 31.3.2005 (Rs. in Lacs)**	As at 31.3.2004 (Rs. in Lacs)
Other than Trade					
UNQUOTED - SHARES					
(Fully Paid up unless otherwise stated)					
Equity/Ordinary Shares					
Investment in Other Companies					
EEL India Limited	10	**0**	65000	**0.00**	30.00
Polyplex Infotech Private Limited	10	**69800**	69800	**6.98**	6.98
Spectrum Marketing Company Inc. (USD 125000) (common stock, no par value)		**25000**	25000	**44.54**	44.54
Excel International Limited	10	**4020**	4020	**0.40**	0.40
Current Other than Trade					
QUOTED-OTHER THAN SHARES					
Mutual Funds					
ING Thai Cash Management Fund				**1123.83**	0.00
SBI Magnum Institutional Income Fund Savings Plan	10	**1407816**	0	**150.00**	0.00
Alliance Cash Manager	10	**998303**	0	**110.00**	0.00
Chola Institutional Liquid Plan	10	**1114355**	0	**150.00**	0.00
Prudential ICICI Liquid Plan	10	**0**	1767506	**0.00**	275.00
DSP Merrill Lynch Liquid Fund	10	**0**	1631511	**0.00**	250.00
ING Vysya Liquid Fund	10	**0**	2070789	**0.00**	275.00
				1585.75	881.92
Provision for diminution in value of Investments				**44.54**	44.54
GRAND TOTAL				**1541.21**	837.38

SCHEDULE 9
CURRENT ASSETS, LOANS & ADVANCES

	As at 31.3.2005 (Rs. in Lacs)	As at 31.3.2004 (Rs. in Lacs)
A. CURRENT ASSETS		
Inventories		
(as valued and certified by Management)		
(at lower of cost and net realisable value)		
Raw Materials	**2644.57**	1377.76
(including in Transit Rs.259.85 Lacs, Previous Year Rs.186.63 Lacs)		
Stock in Process	**743.33**	397.44
Finished Goods (including Scrap stock Rs.4.10 Lacs, Previous Year Rs.6.71 Lacs)	**1136.96**	869.64
(including in transit stock Rs.77.41 Lacs, Previous Year 54.54 Lacs)		
Stores & Spares	**998.76**	778.08
Sub Total	**5523.62**	3422.92
Debts over six months		
– Considered good	**8.38**	61.46
– Considered doubtful	**8.32**	13.26
Other Debts		
– Considered good	**10516.64**	6045.21
	10533.34	6119.93
Less: Provision for doubtful debts	**8.32**	13.26
Sub Total	**10525.02**	6106.67
Cash in hand	**21.63**	19.55
Cheques on hand	**47.18**	50.59
With scheduled banks on		
– Current Accounts	**3136.39**	442.18
– Fixed Deposits*	**1662.85**	84.17
Sub Total	**4868.05**	596.49
Total (A)	**20916.69**	10126.08
B. LOANS AND ADVANCES		
(Unsecured Considered Good)		
Advances recoverable in cash or in kind or for value to be received**	**1508.74**	1759.53
Deposits with Government Authorities & Others Advance Tax	**987.56**	151.89
(Net of Provision for Tax)	**134.51**	87.89
Balance with Customs & Excise Authorities	**332.81**	92.03
Total (B)	**2963.62**	2091.34
TOTAL (A+B)	**23880.31**	12217.42

* Includes Rs.44.91 Lacs (Previous Year Rs.83.15 Lacs) pledged with banks towards margin against Guarantees, Letters of Credit and Foreign Bill Purchase limit.

** Includes a sum of Rs.7.67 Lacs (Previous Year Rs.9.67 Lacs) due from a director. Maximum amount due during the year Rs.9.67 Lacs (Previous Year Rs.11.67 Lacs).

** Includes capital advance of Rs.261.57 Lacs (Previous Year Rs.458.77 Lacs).

SCHEDULE 10
CURRENT LIABILITIES & PROVISIONS

	As at 31.3.2005 (Rs. in Lacs)	As at 31.3.2004 (Rs. in Lacs)
CURRENT LIABILITIES		
Acceptances	**0.00**	166.49
Sundry Creditors	**6485.02**	4554.63
Other liabilities	**411.31**	466.41
Security deposits / Advances from tenants	**213.13**	227.55
Interest accrued & not due	**153.74**	162.28
Investor Education and Protection Fund shall be credited by the following amounts, when due :-		
– Unpaid Dividend	**47.62**	34.48
Sub Total	**7310.82**	5611.84
PROVISIONS		
Provision for Wealth Tax	**0.90**	1.16
Provision for Retirement Benefits	**25.89**	25.75
Proposed Dividend (including Corporate Dividend Tax)	**500.88**	330.37
Sub Total	**527.67**	357.28
TOTAL	**7838.49**	5969.12

SCHEDULE 11
OTHER INCOME

	Current Year (Rs. in Lacs)	Previous Year (Rs. in Lacs)
Income from let out Property		
– Rent	**220.60**	128.61
– Maintenance and Other Charges	**262.42**	226.44
Miscellaneous Receipts	**209.90**	12.97
Profit on Sale of Current Investments	**61.21**	27.98
Dividend (Gross) on long term investments (Other than Trade)	**0.00**	1.63
Dividend (Gross) on short term investments (Other than Trade)	**27.92**	0.00
Foreign Exchange Fluctuation (Net)	**388.92**	455.76
Excess Provision Written Back	**49.25**	5.00
Provision for doubtful debts written back	**8.56**	12.24
Previous Year Income (Net of Expenses of Rs.1.08 Lacs, Previous Year - Nil)	**21.90**	0.00
Profit on Sale of Fixed Assets (Net)	**0.00**	4.45
TOTAL	**1250.68**	875.08

SCHEDULE 12
STOCK ACCRETION / (DECRETION)

	Current Year (Rs. in Lacs)	Previous Year (Rs. in Lacs)
Closing Stocks		
– Finished Goods	**689.92**	869.64
– Stock in Process - Others	**378.42**	168.34
– Stock in Process - Chips	**811.95**	229.10
	1880.29	1267.08
Opening Stock		
– Finished Goods	**869.64**	245.50
– Stock in Process - Others	**30.83**	126.85
– Stock in Process - Chips	**366.61**	310.28
	1267.08	682.63
Add : Increase/(Decrease) in Excise Duty on Stocks	**(9.59)**	(7.01)
TOTAL	**622.80**	591.46

SCHEDULE 13
MANUFACTURING EXPENSES

	Current Year (Rs. in Lacs)	Previous Year (Rs. in Lacs)
Raw Materials Consumed	**30936.20**	17433.67
Stores & Spares Consumed	**1201.64**	1261.00
Packing Material Consumed	**2071.21**	1335.79
Power & Fuel	**3207.50**	2435.54
Repairs and Maintenance		
– Building	**120.53**	61.87
– Plant & Machinery	**135.82**	160.64
TOTAL	**37672.90**	22688.51

SCHEDULE 14
OPERATING AND OTHER EXPENSES

	Current Year (Rs. in Lacs)	Previous Year (Rs. in Lacs)
OPERATING AND OTHER EXPENSES		
PERSONNEL EXPENSES		
Salaries, Wages and Allowances	**1645.14**	1423.91
Contribution to Provident and other Funds	**58.82**	47.08
Staff Welfare Expenses	**188.73**	122.01
Sub Total	**1892.69**	1593.00
ADMINISTRATIVE EXPENSES		
Rent	**77.66**	74.28
Electricity & Water Charges (Net)	**59.91**	67.27
Repairs & Maintenance (Net)	**26.65**	48.11
Rates and Taxes	**40.00**	37.23
Postage and Telephone	**195.30**	194.51
Printing and Stationery	**31.06**	28.07
Travelling and Conveyance	**376.16**	269.22
Vehicle Expenses	**107.04**	81.55
Insurance	**431.20**	324.91
Legal and Professional Fee	**506.92**	313.33
Miscellaneous Expenses	**336.03**	217.25
Directors' Sitting Fee	**11.20**	6.60
Sub Total	**2199.13**	1662.33
SELLING EXPENSES		
Advertisement	**0.84**	7.89
Sales Promotion	**90.27**	35.04
Freight	**2709.60**	1385.20
Sample to Customers	**49.34**	34.28
Commission on Sales	**539.25**	290.45
Sub Total	**3389.30**	1752.86
OTHER EXPENSES		
Asset Written Off	**17.13**	17.15
Loss on Sale of Fixed Assets (Net of Profit of Rs.18.34 Lacs, Previous Year - Nil)	**143.25**	0.00
Loss on sale of Long Term Investment (Net)	**4.65**	0.00
Excise Duty (Net of Recovery)	**5.34**	11.46
Donation	**11.56**	75.12
Previous Year Expenses (Net of Income - Nil, Previous Year - Rs.0.59 Lacs)	**0.15**	0.27
Provision for Doubtful Debts	**3.61**	0.00
Sundry Balances Written Off (Net)	**17.12**	0.13
Bad Debts Written Off	**8.56**	12.24
Sub Total	**211.37**	116.37
TOTAL	**7692.49**	5124.56

SCHEDULE 15
INTEREST & FINANCE CHARGES

	Current Year (Rs. in Lacs)	Previous Year (Rs. in Lacs)
Interest on Term Loans / Debentures	**932.24**	982.52
Interest on Working Capital Loans	**132.99**	137.90
	1065.23	1120.42
Less : Interest on Deposits and Others	**54.76**	41.29
Less : Forward Cover Premium	**0.00**	27.60
Add : Forward Cover Loss	**33.42**	0.00
	1043.89	1051.53
Bank & Other Finance Charges	**431.35**	201.32
TOTAL	**1475.24**	1252.85

Note :
Bank charges include miscellaneous expenditure of Rs.72.57 Lacs (Previous Year Rs.5.56 Lacs) written off.

Notes to Accounts

SCHEDULE 16

NOTES TO ACCOUNTS

1. The Consolidated Financial Statements (CFS) comprises the financial statements of Polyplex Corporation Limited (PCL) and its following subsidiaries as on 31.03.2005.

Name of the Company	Country of Incorporation	% Shareholding & Voting Power
Polyplex (Asia) Pte. Ltd. (PAPL)	Singapore	100%
Polyplex (Thailand) Public Company Limited (PTL)	Thailand	70%*
Polyplex (Singapore) Pte. Ltd. (PSPL)	Singapore	100%**
Polyplex Europa Polyester Film Sanayi Ve Ticaret A.S. (PE)#	Turkey	100%***

\# Project under implementation.

* Includes 145 (Previous Year 6) ordinary shares not registered in the name of the Company, beneficial interest being held by PCL and PAPL.

** 100% subsidiary of PTL.

*** 100% subsidiary of PSPL. Includes 4 shares not registered in the name of PSPL, beneficial interest being held by PSPL.

(a) The CFS have been prepared using uniform accounting policies, in accordance with the Generally Accepted Accounting Principles in India. However, in respect of the subsidiaries, these financial statements are prepared in conformity with generally accepted accounting principles in the respective countries under the historical cost convention on accrual basis. Accordingly, the financial statements are intended solely to present the financial position, results of operations and cash flows in accordance with the generally accepted accounting principles and practices.

(b) The policy adopted by different subsidiaries on depreciation is enumerated below: -

(i) PTL : Depreciation on Property, Buildings, Plant & Equipment(s) by the straight line method (SLM) and all other assets by the sum of the year digits method, over the estimated useful life of the assets as follows:

Building & Improvements	20 years
Machinery & Equipment	18 years
Furniture, fixtures and office equipment	5 years
Transportation equipment	5 years

(ii) PE : Property, plant and equipment are capitalised and depreciated over the cost of each asset at rates based on the estimated useful lives of assets. Annual rates and the methods of depreciation are as follows:

	Rate (%) p.a.	Method
Furniture and fixtures	10 -20	Straight line
Motor Vehicles	20	Straight line

Certain policies such as depreciation (as stated above), foreign exchange fluctuation in respect of fixed assets etc. differ from those followed by the holding company. The impact of the above differences has not been computed.

Accounting Policies and Notes to Accounts of the financial statements of the Company and its Subsidiaries are set out in their respective financial statements.

(c) The effects of intra group transactions are eliminated in consolidation.

(d) Foreign Subsidiary Conversion: Revenue items have been consolidated at the average rate prevailing during the year. All Assets

and Liabilities are converted at the rates prevailing at the end of the year. Exchange gain/loss arising on translation of financial statements of foreign subsidiaries are shown under the head 'Foreign Currency Translation Reserve' in the Consolidated Balance Sheet.

2. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of Advances) - Rs.9983.39 Lacs. (Previous Year Rs.657.20 Lacs).

3. Contingent Liabilities not provided for in respect of:

   a) Claims against the Company not acknowledged as debts - Rs.345.94 Lacs (Previous Year Rs.291.96 Lacs).

   b) Bills discounted with banks - Rs.206.71 Lacs (Previous Year Rs.178.75 Lacs).

   c) Custom duty (excluding interest and penalty) which may arise if obligation for exports is not fulfilled against import of machinery under Export Promotion Capital Goods (EPCG) Scheme: -

(Rs.in Lacs)

	Current Year	Previous Year
Gross of Modvat	**318.00**	453.91
Net of Modvat	**148.60**	272.09

   d) Counter Guarantees given to the banks - Rs.480.28 Lacs (Previous Year Rs.268.87 Lacs), including Rs.Nil (Previous Year Rs.23.50 Lacs) on behalf of other body corporates.

   e) Unused Letters of Credit with banks - Rs.2100.00 Lacs (Previous Year Rs.1386.32 Lacs).

   f) Disputed Income tax matters under appeal Rs.142.95 Lacs (Previous Year Rs.72.79 Lacs).

4. Export Benefits are accounted for on accrual basis. The export incentives during the year aggregating to Rs.1178.45 Lacs (Previous Year Rs.646.86 Lacs) has been credited to Raw Material Consumed Account.

5. During the year PTL has made an Initial Public Offering (IPO) in Thailand of 24 million equity shares of Baht 1 each at a price of Baht 6.90 per share inclusive of premium of Baht 5.90 per share aggregating to Baht 1656 million (approx. USD 42 million). The equity shares are listed on the Stock Exchange of Thailand. After the IPO, Company's equity stake in PTL is 70%.

6. By virtue of the provisions of the Board of Investment Promotion Act B.E. 2520 of Thailand, PTL has been granted certain promotional privileges on manufacturing and distributing the polyester film as per the prevailing policy. The subsidiary company (PTL) must comply with certain conditions and restrictions provided for in the promotion certificate.

7. **Earning Per Share (EPS)**

	Current Year	Previous Year
Net Profit/(Loss) for the year (Rs.in Lacs)	**6958.72**	6777.63
No. of Equity shares of Rs.10 each fully paid up	**1,46,42,300**	1,46,42,300
Basic and Diluted EPS (Rs.)	**47.52**	46.29

8. **Segment Reporting**

   A. Primary Segment :
   Information about Business Segment :

   a. The Company and its subsidiaries namely PTL and PE are in the same line of business namely Polyester Film.

   b. Subsidiaries namely PAPL and PSPL are Investment Companies.

Information about Primary business Segments

Rs. In Lacs

		Polyester Film	Others	Total
A	**REVENUE**			
1	Sales & Operational Income	57029.39 (37273.00)	0.94 (0.00)	57030.33 (37273.00)
	Total	57029.39 (37273.00)	0.94 (0.00)	57030.33 (37273.00)
2.1	Other Income	1161.55 (845.47)	0.00 (0.00)	1161.55 (845.47)
2.2	Unallocated Corporate Income	0.00 (0.00)	0.00 (0.00)	89.13 (29.61)
	Total	1161.55 (845.47)	0.00 (0.00)	1250.68 (875.08)
3	**Total Revenue**	58190.94 (38118.47)	0.94 (0.00)	58281.01 (38148.08)
B	**RESULTS**			
1	Segment Result (PBIT)	11410.64 (9299.55)	(9.69) (0.00)	11400.95 (9299.55)
2	Unallocated Corporate Income/(Expenses) Net	0.00 (0.00)	0.00 (0.00)	72.92 (45.51)*
3	Interest Expense	1458.41 (0.00)	16.83 (0.00)	1475.24 (1252.85)
4	Exceptional Items	0.00 (0.00)	0.00 (0.00)	(51.00) (0.00)
5	Profit Before Tax	9952.23 (9299.55)	(26.52) (0.00)	9947.63 (8001.19)
6	Provision for Current Tax	729.43 (1166.16)	0.00 (0.00)	729.43 (1166.16)
7	Deferred Tax	(161.78) (56.14)	0.00 (0.00)	(161.78) (56.14)
8	Tax Provision of earlier year written back	0.00 (1.26)	0.00 (0.00)	0.00 (1.26)
9	Profit after Tax	9384.58 (8075.99)	(26.52) (0.00)	9379.98 (6777.63)
C	**OTHER INFORMATION**			
1	Segment Assets	59041.49 (40256.05)	69.42 (0.00)	59110.91 (40256.05)
2	Unallocated Corporate Assets	0.00 (0.00)	0.00 (0.00)	1675.72 (997.84)
3	Total Assets	59041.49 (40256.05)	69.42 (0.00)	60786.63 (41253.89)
4	Segment Liabilities	16837.66 (23518.83)	1.32 (0.00)	16838.98 (23518.83)
5	Unallocated Corporate Liabilities	0.00 (0.00)	0.00 (0.00)	501.78 (331.53)
6	Total Liabilities	16837.66 (23518.83)	1.32 (0.00)	17340.76 (23850.36)
7	Capital Expenditure	9653.33 (8589.74)	0.00 (0.00)	9653.33 (8589.74)
8	Depreciation	2064.55 (1672.39)	0.00 (0.00)	2064.55 (1672.39)

Note :-
Figures in bracket ( ) indicate Previous Year figures
* Represent expense

B. Secondary Segment :
Information about Geographical Segment :

a. Revenue inside India includes sales to customers located within India;

b. Revenue outside India includes sales to customers located outside India.

Information about Geographical Segments (by location of customers and assets)

Rs.in Lacs

	Within India	Outside India	Total
1. External Revenue- Sales & Other Income	13603.99 (13462.48)	44587.89 (24655.95)	58191.88 (38118.43)
2 Carrying Amount of Segment Assets by location of assets	15966.68 (15294.22)	43144.23 (24961.82)	59110.91 (40256.04)
3 Capital Expenditure	1324.85 (520.31)	8328.48 (8069.43)	9653.33 (8589.74)

Figures in bracket represent Previous Year Figures.

9. Related Party Disclosures.

Related Party Disclosures as required by AS-18, "Related party Disclosures "are given below:

Related parties with whom transactions have taken place during the year

A. Key Management Personnel & their relatives

- Shri Sanjiv Saraf (Chairman).
- Shri Pranay Kothari (Whole Time Director)

B. Enterprises over which Key Management Personnel, their relatives and major shareholders have significant influence:

- Beehive Systems Limited
- Sanjiv Sarita Investments Private Limited
- Polyplex Infotech Private Limited
- Manupatra Information Solutions Private Limited (formerly : Manupatra.com Private Limited)
- Shubra Ketu Foundation
- Altivolus Infotech Pvt. Limited

Notes to Accounts

C. Nature of Transactions with related parties

Rs.in Lacs

		Key Management Personnel	Enterprises over which significant Influence	Total
1	**Purchase of Material/Services**	– (–)	1.02 (15.97)	1.02 (15.97)
2	**Sale of Material/Services**	– (–)	55.75 (51.28)	55.75 (51.28)
3	**Managerial Remuneration**	39.16 (45.07)	– (–)	39.16 (45.07)
4	**Director's Sitting fee**	3.40 (1.70)	– (–)	3.40 (1.70)
5	**Investment in Shares**	– (–)	0.00 (6.88)	0.00 (6.88)
6	**Donations**	– (–)	0.00 (68.00)	0.00 (68.00)
	Outstanding as at year end			
7	**Receivables**	7.67 (9.67)	– (2.79)	7.67 (12.46)
8	**Investment in Equity/ Preference Shares**	– (–)	– (6.98)	– (6.98)

Notes :
Guarantee given by Key Management Personnel for loans from Banks / Financial Institutions.
Figures in brackets represent figures of previous year.

10. Figures in the Balance Sheet and Profit & Loss Account have been expressed in Rs. Lacs with two decimals.

As per our report of even date attached
For **Lodha & Co.,**
Chartered Accountants

Schedule 1 to 16 form an integral part of Balance Sheet

N.K. Lodha
Partner

Pranay Kothari
Executive Director

S.G. Subrahmanyan
Vice-Chairman

B.K. Soni
M.K. Jain
O.P. Mehra
Sanjiv Chadha
Directors

A.K. Gurnani
Company Secretary

Sanjiv Saraf
Chairman

Place : New Delhi
Date : June 17, 2005

Place : NOIDA

Consolidated Cash Flow Statement

FOR THE YEAR ENDED MARCH 31, 2005

		2004-2005 Rs. in Lacs		2003-2004 Rs. in Lacs
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit Before Tax		**9947.63**		8001.19
Adjustments for :				
Depreciation	**2064.55**		1672.39	
Prov. for Doubtful Debts	**3.61**		0.00	
Interest (Net)	**1475.24**		1252.85	
Loss on Sale of Investments	**4.65**		0.00	
Exchange Loss on Redemption of Investments	**51.00**		0.00	
Excess Provision Written Back	**–49.25**		–5.00	
Loss on Sale of Fixed Assets (Net)	**143.25**		–4.45	
Assets Written Off	**17.13**		17.15	
Profit on Sale of Investments	**–61.21**		–27.98	
Dividend Received	**–27.92**		–1.63	
		3621.05		2903.33
Operating Profit Before Working Capital Changes		**13568.68**		10904.52
Adjustments For :				
Trade and other receivables	**–5446.34**		–4737.23	
Inventories	**–2100.70**		–1280.73	
Trade Payables	**1474.18**	**–6072.86**	2459.42	–3558.54
Cash Generated form Operations		**7495.82**		7345.98
Direct Taxes Paid (Net of Refunds)		**–776.31**		–1196.89
Net Cash from Operating Activities		**6719.51**		6149.09
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	**–9387.46**		–8882.46	
Sale of Fixed Assets	**312.80**		43.16	
Inter Corporate Deposits	**0.00**		50.00	
Purchase of Long Term Investments	**0.00**		–6.88	
Purchase of Short Term Investments	**–24118.83**		–5650.00	
Sale of Long Term Investments*	**–25.65**		0.00	
Sale of Short Term Investments	**23446.21**		4877.98	
Interest/Dividend Received	**54.56**		80.87	
Net Cash Used In Investing Activities		**–9718.37**		–9487.33
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from Issue of Capital	**17961.78**		0.00	
Proceeds from Long Term Borrowings	**3500.00**		7136.88	
Repayment of Long Term Borrowings	**–12266.09**		–2512.08	
Net Proceeds from Short Term Borrowings	**888.00**		–256.72	
Interest Paid	**–1432.55**		–1215.80	
Dividend Paid	**–1011.82**		–506.74	
Tax on Distributed Profits	**–133.95**		–65.66	
Net Cash Used In Financing Activities		**7505.37**		2579.88

Consolidated Cash Flow Statement

FOR THE YEAR ENDED MARCH 31, 2005

	2004-2005 Rs. in Lacs	2003-2004 Rs. in Lacs
D. CHANGE IN CURRENCY FLUCTUATION RESERVE ARISING ON CONSOLIDATION	**–234.95**	89.81
Net Increase in Cash and Cash Equivalents	**4271.56**	–668.55
Cash and Cash Equivalents as at 01.04.2004 (Opening Balance)	**596.49**	1265.04
Cash and Cash Equivalents as at 31.03.2005 (Closing Balance)	**4868.05**	596.49

* Including Exchange Loss of Rs.51 Lacs on account of redemption of investment in subsidiary.

NOTES :

1. Cash and Cash Equivalents represents Cash and Bank Balances as per Schedule 9.
2. Previous Year Figures have been regrouped wherever necessary.

As per our report of even date attached
For **Lodha & Co.,**
Chartered Accountants

For and on behalf of the Board

N.K. Lodha
Partner

Pranay Kothari
Executive Director

S.G. Subrahmanyan
Vice-Chairman

B.K. Soni
M.K. Jain
O.P. Mehra
Sanjiv Chadha
Directors

A.K. Gurnani
Company Secretary

Sanjiv Saraf
Chairman

Place : New Delhi
Date : June 17, 2005

Place : NOIDA

Details of Subsidiary Companies

Name of the Subsidiary Company	Polyplex (Asia) Pte. Ltd., Singapore		Polyplex (Thailand) Public Company Ltd., Thailand		Polyplex (Singapore) Pte. Ltd., Singapore		Polyplex Europa Polyester Film Sanayi ve Ticaret Anonim Sirketi, Turkey	
	US $ (in Lacs)	Indian Rupees (in Lacs)	Thai Baht (In Lacs)	Indian Rupees (in Lacs)	US $ (in Lacs)	Indian Rupees (in Lacs)	Euro (In Lacs)	Indian Rupees (in Lacs)
a. Capital	13.35	582.33	8000.00	8922.60	13.65	595.42	34.84	1967.22
b. Reserves	90.33	3940.24	21400.17	23868.14	98.08	4278.30	(2.48)	(140.03)
c. Total Assets	0.53	23.00	36460.19	40664.95	66.83	2915.09	86.79	4900.66
d. Total Liabilities	0.02	0.66	5267.66	5875.15	1.29	56.38	51.59	2913.15
e. Details of Investment (concept in case of investment in subsidiaries)	0.00	0.00	1007.63	1123.83	0.00	0.00	0.00	0.00
f. Turnover	0.01	0.27	33544.88	37413.43	0.01	0.64	0.09	5.19
g. Profit Before Taxation	(0.12)	(5.35)	7210.24	8041.76	(0.47)	(20.50)	(2.42)	(136.62)
h. Provision for Taxation	0	0.00	0.00	0.00	0.00	0.00	(0.06)	(3.47)
I. Profit after Taxation	(0.12)	(5.35)	7210.24	8041.76	(0.47)	(20.50)	(2.48)	(140.09)
j. Proposed Dividend	0.00	0.00	2800.00	3122.91	0.00	0.00	0.00	0.00

Note :

The above financial statements of the subsidiary companies have been converted into Indian Rupess at the following exchanges rates prevailing on March 31, 2005:

Rs. 100 = US$ 2.2925
Rs. 100 = Baht 89.660
Rs. 100 = Euro 1.77103

The Central Government has exempted the Company from the provisions of Section 212(1) of the Companies Act, 1956, requiring to attach a copy each of the Balance Sheet, Profit and Loss Account Report of the Board of Directors and the Report of the Auditors of the subsidiary companies.

The Company will make available these documents/details upon request by any investor of the Company and its susidiaries interested in obtaining the same. The annual accounts of the subsidiary companies are also kept for inspection by any investor at the Registered Office/Head Office of the Company and its subsidiary companies between 11.00 a.m. and 1.00 p.m. on all working days.

Notes

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