

**INDO RAMA**  
SYNTHETICS (INDIA) LIMITED  
ANNUAL REPORT 2005-06

2006

**INDO RAMA**



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## BOARD OF DIRECTORS

M.L. Lohia	Chairman Emeritus
O.P. Lohia	Chairman & Managing Director
O.P. Vaish	
U.K. Khaitan	
A.K. Ladha	
K.N. Memani	
M. Yamamoto	
Vishal Lohia	

### Corporate Executives

A. Chatterjee	President, Finance & Accounts
R.S. Singhvi	President, Corporate Finance
Somen Das	President, Corporate Development

### SBU Polyester

G.P. Bhatia	President, Polyester
A. Kishore	Sr.Vice President, Projects
C.V. Khandelwal	Chief of Operations, Poly & DTY

### Company Secretary

N.C. Jain

### AUDITORS

S.R. Batliboi & Co.,  
New Delhi

### BANKERS

Bank of India  
HDFC Bank Limited  
ICICI Bank Limited  
Oriental Bank of Commerce  
Punjab National Bank  
State Bank of India  
UTI Bank Limited

### INSTITUTIONS

BHF-Bank AG  
DEG-Deutsche Investitions-und  
Entwicklungsgesellschaft mbH  
IKB Deutsche Industriebank AG  
IFCI Limited

# Chairman's Message



Dear Shareholder,

Your company has registered Annual sales at Rs.2101.90 crores for the financial year ended March 31, 2006. The net profit for the year stood at Rs.51.83 crores as compared to Rs.70.21 crores last year.

The polyester industry, over the past couple of years, has had to face both supply side and demand led pressures. On the one hand, surging crude oil prices and global PTA/MEG shortages led to very high raw material costs. On the other hand, high cotton availability in a fiscal regime with a built-in bias against synthetics, had led to constrained markets for polyester.

The results for the year reflect these difficulties and yet bear testimony to the resilience of the Company in the face of such enormous challenges.

It is heartening to note that even in one of the worst years for the industry, Indo Rama has been able to manage the downturn, and maintain the dividend at 30%. This reflects the management's conviction on future profitability of the Company.

The coming year is expected to mark a turn around on all these counts as a massive global ramp up of PTA/MEG capacity will lead to softening of raw material prices. Simultaneously, the Union Budget '06-'07 has significantly reduced inter-fibre anomalies, allowing polyester to improve its competitiveness, at a time when cotton prices are expected to rule firm.

Finally, with a resurgent domestic economy driving consumption across all sectors and with buoyant Indian textile exports, the future augurs well for INDO RAMA.

We have always been excited about the fundamental strength and prospects of India's synthetic fibres industry and had anticipated the imminent cyclical upturn. Our investment in doubling capacity at our plant in Butibori not only demonstrates this confidence but also positions us to generate significant stakeholder value because of the project's appropriate timing.

Commercial production from the new facility will commence in a phased manner between July and September '06.

Going forward, our accent is on accelerated growth as we stand at a crucial and vital point of our journey. We are enhancing the quality of the finished goods and are striving to further improving our processes. We are pro-actively addressing the need to build a robust leadership pipeline. We have already taken necessary steps to redeploy/spot talent, track it and help generate leaders.

I would like to take this opportunity to address my personal as well as the Board's appreciation of the dedication and commitment of your Company's employees.

Thank you.

O.P. LOHIA

## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Structure and Development

#### World Fibre Scenario 2005

The year 2005 was characterized by apprehensions in the market due to the lifting of Quotas as the textile world moved into a quotaless era. On the fibre front the year was marked by shifting of capacities towards Asia, high prices of crude oil, intermediates and synthetic fibre against low cotton prices.

In the year 2005 the growth rate of global fibre production was 2.2%. The rate of growth was relatively low compared to 2004. However the volume offtake improved to approx. 70 Mn Tons in 2005 from 68.7 Mn Tons in the previous year.

The fibre wise break up of the global offtake 70 Mn tons and % share is as follows



Fibres	Mn Tons	% Share
Natural Fibres	32.2	46
Manmade Fibres	37.9	54

#### Further reclassification of 37.9 Mn tons of Man Made Fibres shows the following position :

Fibres	Mn Tons	% Share
Polyester	24.5	65
Cellulosic	3.3	9
Polyamide	4.0	11
Polypropylene	3.0	8
Acrylics	2.7	7
Elastene, Aramid, Carbon	0.4	1

The Polyester fibre accounts for 35% of the total fibres and 65% of the man made fibres in the world. In the rapidly growing Synthetic Fibres category, Polyester accounts for 71% share with major usage in Apparel and Non-apparel applications.



In the natural fibres category, Cotton accounts approx. 72% of the total usage. Natural fibres enjoyed the favourable conditions in demand during the year reflecting a growth of 6% in cotton consumption mainly driven by low prices.

The growth of Polyester Industry was relatively stagnant. Production of Staple fibres marginally rose by 0.8%, while the textile yarn declined by 1.1% during the year.

The major Polyester producing countries are China, Korea, Taiwan and India. Together they account for 73% of the total market share. China now commands almost 50% of the total world Polyester production.

#### Indian Fibre Scenario 2005

India is the only country along with China having integrated Textile players and having all the stages of textile value chain from Fibre production to value addition stage of Garmenting.



Indian consumption of all fibres stands today at an estimated level of 5.5 Mn Tons and has 7.7% share of the world market. The cotton fibre accounts for 63% of the total consumption. The polyester capacity stands at 2.2 Mn tons and the corresponding production levels are estimated at 1.8 mn Tons. The operational capacity is 86% approx. which is pretty high when compared to South East Asian countries like Thailand, Indonesia, Taiwan and China.

Polyester accounts for 31% of the total fibre consumption and in the quota free regime the share is projected to increase further. The great potential of Polyester to grow is evident from the major capacity expansions planned in 2006-07. The total capacity is likely to go up to 3.2 Mn tons approx by 2007-08,

an increase of 45% from the present base. Indo Rama has already embarked upon doubling of its capacity in Polyester from 800 MT/day to 1600MT/day and the new capacity is slated to become operational in July - Sept. 06 quarter.

Total Polyester consumption was approximately 1.66 mn tons in 2005-06 compared to 1.62 mn tons in 2004-05 a marginal increase of 2.5%. The low growth has been mainly due to the availability of the competitor fibre Cotton at cheap prices coupled with better realization.

However the scenario is likely to change with the recent changes brought in the fiscal duty structure by the Government of India in 2006-07 Budget reducing the gap between Polyester vis-à-vis cotton and this is likely to result in higher demand of Polyester. The polyester fibre is likely to see a growth rate of 10-15% in 2006-07 due to excise duty changes and competitive prices of Polyester compared to cotton and other fibres.

In contrast to the year 2005-06 where cotton dominated the yarns and fabric production, the year 2006-07 is likely to see a high growth of 100% Non Cotton yarns and fabrics mainly in Polyester due to reduction of excise duty from 16% to 8% and Polyester becoming more competitive in prices vis-à-vis of cotton.

**The estimated yarn and fabric production for 2004-05, 2005-06 and 2006-07 is shown below :**

Yarns	2004-05 Mn Kgs	2005-06 Mn Kgs	2006-07 Mn Kgs
100% Cotton	2272	2462	2500
Blended Yarn	585	580	606
100% Non Cotton yarn	366	355	410
Total	3223	3397	3516

\* 2006-07 : Industry Estimates

Cloth	2004-05 Mn Sq Mtrs	2005-06 Mn Sq Mtrs	2006-07 Mn Sq Mtrs
100% Cotton	20578	23420	24250
Blended Yarn	6025	6223	6595
100% Non Cotton yarn	18388	18020	20384
Total	44991	47663	51229

\* 2006-07 : Industry Estimates

## Opportunities and Threats

### Opportunities

The excellent economic growth rates, human resource capabilities and thrust on infrastructure development and focus on rural development is likely to have a positive impact on Industry in general and Textile Industry in particular. In the quota free regime the man made apparel exports have started growing and the trend is likely to continue.

As per the WTO estimates the world Textile and Clothing trade is likely to treble post the lifting of quotas and India should be one of the Key beneficiaries. India has shown positive momentum by realizing higher exports to US. The MMF industry stands to gain especially in the field of Polyester.



The opportunity in domestic branding and retailing is tremendous. In India organized sector accounts for only about 5% of the total US\$29bn domestic textile manufacturing. The retailing growth is expected to zoom after the recent changes in the policies of Government of India. The rising domestic disposable income, the changing profile of the Indian population and the changing aspirational levels towards fashion and life style are likely to trigger the consumption of Polyester.

Low cost branding and retailing is possible only with high quality intellectual capital for designing and is an unique advantage of India over China. Polyester can be effectively used to lift the fashion requirements of young and especially females and is surely an opportunity for growth.

Raw material availability, skilled labour and high designing skills enable Indian Companies a high degree of vertical integration. This should reduce the lead time significantly in the post quota era and should be able to give boost to high domestic demand of all fibres and especially Polyester.

Garmenting is likely to grow leaps and bounds, Home Textiles, Performance Fabrics and Technical Textiles are all set for a major growth phase. Polyester is likely to witness high volume growth as the downstream exports demand keep rising.

The GOI recognition of the textile Industry as a thrust area for development, announcement of optional CENVAT Scheme in 2005 and reduction of excise duty on Polyester to 8% is likely to encourage double digit growth in 2006-07 and the forward years. The 2006-07 fiscal budget gives Polyester Industry the kind of support and fair play to compete with natural fibre such as cotton.

The year 2004-05 and 2005-06 saw Polyester Prices going up compared to cotton. The substantial global increase in capacities of PTA & MEG including in India is likely to bring down the prices of raw materials of Polyester resulting in competitive cost advantage of Polyester. The competitive price of Polyester is projected to make inroads into cotton usage and lead to increased consumption of Polyester.



### Threats

Despite some progress having been made, India still lags in lead time and quick response on export front and this is a matter of concern. This could result in loss of export sales. Improving on response time and lead time will be crucial in determining international competitiveness for Indian exporters.



Competition in domestic market in fabrics from cheaper imports from China, Hong Kong, Taiwan, Thailand could result in temporary domestic market instability resulting in lower domestic fibre demand.

India is still exploring formation of regional alliances to protect its interests. The existing Regional Alliances like NAFTA, CAFTA etc play significant role in global garments industry in getting concessional tariffs to member countries. The existing global trade pacts like US Free trade with Thailand or the AGOA could impact Indian competitiveness.

High crude oil prices remain a matter of concern and any further significant increase could have an impact on Polyester competitiveness.

The Processing still remains the weakest link in the entire Indian Textile industry value chain. It is very critical as it determines the quality of the finished fabrics and apparels. Though investments have recently been announced and put into place in this area is progressing at a relatively slow speed.

The year is likely to witness a high capacity expansion of Polyester both in PSF and POY. The demand will increase but margins may compress due to temporary oversupply in the market.

**Product Wise Performance**

**PFY**

Total sales of POY, FDY and DTY of Rs.9717 million were recorded in the year under review. Domestic sales decreased by 6% in value terms compared to last year. Indo Rama has a consolidated market share of 11% and a 12% in semi dull market.

**PSF**

Total sales of PSF of Rs.9005 million were recorded in the year under review. Domestic sales decreased by 13.5% in value terms compared to last year. Indo Rama has a consolidated market share of 22% and a 26% in semi dull market.

**Sector Outlook**

**PFY**

The total installed capacity for PFY is estimated at 1.52 Mn tons at present and is expected to go up to an estimated 1.98 Mn tons due to major expansion planned by PFY Producers. This is in line with the anticipation of demand tilt in favour of Polyester Filament Yarn due to reduction of excise duty by 8% this year.

The Indian Government has given a boost to PFY consumption by reduction of Excise duty from 24% to 8% in two consecutive years 2004-05 onwards. Indo Rama accounts for 7.8% of installed capacity and 8% of the total production of the country. The domestic demand upto 2009 from 2006 is likely to be in the range of 10 - 12% CAGR. There are 51 PFY Producers - 44 currently operational out of which 8 producers are over 50000 MT per annum. PFY contributes 65% of the total Polyester production in India.

The estimated production in 2005-06 is likely to be 1.18 mn tons denoting 9% increase over last year and corresponds to 78% of the operational capacity. The demand estimates of 1.10 Mn tons



is more by 5.9% over the last year. The low cost of conversion, easy processability and the wide spread usage make PFY attractive to use. The sector is likely to grow due to surging Industrial filament demand, non apparel applications like seat belts, seat covers, tyre applications and home textiles apart from apparel applications.

### PSF

The total installed capacity of PSF is 0.699 Mn tons. The capacity expansion planned by PSF existing majors and new entrants will increase the capacity by 2007-08 to 1.20 mn tons - a significant increase of 72%. The industry is bullish on the demand surge in PSF due to excise duty reduction of PSF from 16% to 8% in 2006-07 making it price competitive with cotton. Indo Rama accounts for 23.0% of the installed capacity. The Indo Rama production accounts for nearly 20% of the total industry production.



PSF industry as against PFY is relatively more consolidated and at present only two big players contribute more than 90% of the production. The PSF accounts for 35% of the Polyester production in the country.

The estimated production for the year is estimated at 0.63 Mn tons and represents 90% of total operational capacity.

The domestic demand is likely to be in range of 9-10% CAGR over next few years.

PSF domestic demand is likely to surge post reduction in excise duty and will compete with cotton both in coarse and in fine yarns quality. PSF to yarn spinners will be more profitable due to price competitiveness. PSF usage is likely to increase due to higher exports of garments and it is used mainly for wearables. The 100% Polyester yarn consumption in weaving and knitting applications should increase as the world trade has come out of quota restriction and RMG exports to US has already seen increase in the last year.

### INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Indo Rama is a system driven organization dedicated to its customers in a seamless and transparent manner. It is a customer focused enterprise and is committed towards the growth of its customers. Indo Rama has already outsourced its key functions like Procurement, Finance & IT to Accenture to concentrate on Core activities of Marketing and Production.



The outsourcing of such important functions is a reflection of the transparency and trust in the systems the Company enjoy. An independent credit control system not only supports the demands of the marketing, but also keeps checks and balances within the sales system. The internal audit of our systems and procedures are done by KPMG on a quarterly basis to ensure healthy operations at each stage.

The introduction of comprehensive Risk Management system and internal control mechanism has been set under the requirement of Clause 49 as a condition for listing on stock exchange. CEO/CFO Certification on the effectiveness of controls surely is step further towards a system compliant organization. The entire financial and business cycle has been mapped to improve the systems and controls. A complete system is in place to identify the critical risks, root cause of risks and the mitigating plans to avoid any functional business mishaps.

A strong emphasis on Corporate Governance has been laid down in the company. Indo Rama as a transparent organization has now taken further steps to strengthen and creation of complete "Ethical Workplace". This will not only result in early detection of weaknesses in the internal control system but at the same time raise the standards of work at the workplace. Indo Rama has always remained attentive to the concerns of society. It engages from time to time in charitable activities, activities with good social cause and the idea is to generate not mere profits for the organization but "Profits with social cause".

The maintaining of high standards of Product Quality has been the hallmark for Indo Rama. The online checking of properties and dedicated process control team ensures highest level product quality. The ISO9001:2000 accreditation, System ISO14001 for Environmental Management System and OEKO Tex Certificate to meet Human ecological requirements are in place to support the stringent international quality requirements.

No organization can exist without dedicated team of manpower. Indo Rama is always proud of its highly competent and experienced professionals at all levels. The organization believes in building of business through people excellence. The emphasis is on to build a knowledgeable workforce with no communication barriers. The recent launching of an inhouse intranet "ANTARNAAD" is a platform to communicate, develop positive interdependencies, share and build strong foundation of people management internally.

Indo Rama strives to become an organization where Excellence is the key word in each and every operation and moves ahead with a clear focus in attaining the status of the most admired Polyester manufacturer not only in India but in the World.



## FINANCIAL HIGHLIGHTS

Particulars	2005-06	2005-04*	2004-03	2003-02	2002-01	2001-00	2000-99	1999-98	1998-97	1997-96
Sales & Other Income (Rs./Millions)	21,647	22,283	22,988	22,056	19,228	19,969	17,621	13,789	14,528	11,827
(Of which Exports Turnover) (Rs./Million)	3,291	2,791	2,045	4,917	4,956	6,025	4,130	2,365	4,269	2,481
PBDIT (Rs./Million)	1,947	2,431	3,960	3,704	2,784	3,050	2,669	1,232	1,564	1,533
Interest (Rs./Million)	295	389	469	620	1,071	1,739	1,712	1,791	1,476	908
Profit before Depreciation, Write off & Provisions and Tax (Rs./Million)	1,652	2,043	3,491	3,084	1,713	1,311	957	(560)	88	625
Depreciation/DRE-W/O (Rs./Million)	981	978	965	946	1,045	1,051	1,036	1,036	961	607
Profit/(Loss) before Tax (Rs./Million)	672	1,065	2,526	2,138	668	187	(79)	(1,596)	(873)	18
Profit/(Loss) after Tax (Rs./Million)	518	702	1,717	1,248	413	187	(76)	(1,596)	(873)	15
Earning/Share (Rs.)	3.93	5.33	12.99	9.39	2.48	1.13	-	-	-	0.10
Gross Fixed Assets ** (Rs./Million)	20,734	20,737	20,578	20,802	23,049	22,653	22,212	19,351	18,508	15,897
Net Current Assets (Rs./Million)	(1,723)	307	424	940	668	1,157	1,256	1,086	2,380	1,594
Equity Capital (Rs./Million)	1,318	1,318	1,318	1,330	1,662	1,662	1,560	1,557	1,557	1,557
Reserves & Surplus # (Rs./Million)	5,357	5,433	5,468	4,511	4,999	4,382	4,468	1,672	3,280	4,175
Loan Funds (Rs./Million)	5,609	5,765	7,886	9,920	11,022	12,554	13,611	14,321	14,173	12,293
Net Worth # (Rs./Million)	6,675	6,746	6,754	5,783	6,558	5,901	5,842	3,088	4,673	5,536
Book Value/Share (Rs.)	51	51	51	43	39	35	37	20	30	36
Sales/Share Capital (Times)	16	17	17	16	11	12	11	9	9	7

\* Figures highlighted in 2005-04 are changed due to regrouping in the Balance Sheet

\*\* Does not include the Project Capex in the relevant years in which the Project Expansion was undertaken

# Includes Revaluation of Assets

## Corporate Governance Report

### 1. Company's Philosophy on Corporate Governance

Corporate Governance is an integral element of Indo Rama's value system, management ethos and business practices. The Company's Corporate Governance initiatives are based on:-

- (i) Commitment to excellence and customer satisfaction,
- (ii) Commitment to maximizing long term value for stakeholders,
- (iii) Commitment to Corporate conduct and citizenship, and
- (iv) Concern for environment and sustainable development.

Towards this end the Company consistently evaluates and defines its management practices aimed at enhancing its commitment and delivery of these basic tenets of Corporate Governance.

Thus, at Indo Rama, the basic Corporate Governance norms have been institutionalized as an enabling and facilitating business process at the Board, Management and Operational levels. These norms are reviewed and reaffirmed on an ongoing basis to ensure that the Company operates beyond the mandatory regulatory frame work.

In line with the requirement for providing a "Report on Corporate Governance" as per amended clause 49 of the Listing Agreement of the Stock Exchanges, as applicable, your Directors present the Company's Report on Corporate Governance as under:

### 2. Board of Directors

The Company has a broad-based Board and meets the 'Composition' criteria. As on 31<sup>st</sup> March, 2006, the Board has a strength of eight Directors. There are seven non-executive Directors, five of whom are independent Directors. The non-executive Directors are eminent and experienced professionals drawn from the fields of business, finance and law. Mr.O.P. Lohia, Chairman & Managing Director is the Executive Chairman. The current composition of the Board for the Year ended 31<sup>st</sup> March, 2006 is given below:

Sl. No.	Name of the Directors	Category of Directorship	No. of Board Meetings attended	No. of Directorships in other public companies	No. of Committee position held in other public companies		Last Annual General Meeting Attended
					Chairman	Member	
1	Mr. M.L. Lohia @ (Chairman Emeritus)	Non-executive Promoter Director	Nil	8	Nil	Nil	No
2	Mr. O.P. Lohia @ (Chairman & Managing Director)	Executive Chairman & Promotor	4	3	1	2	Attended
3	Mr. Vishal Lohia @	Non-executive Non-independent Director	3	1	Nil	1	Attended
4	Mr. U.K. Khaitan	Non-executive Independent Director	3	13	Nil	4	No
5	Mr. A.K. Ladha	Non-executive Independent Director	4	8	3	1	Attended
6	Mr. K.N. Memani	Non-executive Independent Director	4	6	3	2	No
7	Mr. O.P. Vaish	Non-executive Independent Director	4	5	2	1	No
8	Mr. M.Yamamota	Non-executive Independent Director	4	Nil	Nil	Nil	No

@ Mr. M.L. Lohia, Mr. O.P. Lohia and Mr. Vishal Lohia are related to each other.

For disclosure under committee positions, only 2 committees, namely, Audit Committee and Investors' Grievance Committee have been considered.

### Directors who relinquished office during the year ended 31<sup>st</sup> March, 2006.

Sl. No.	Name of the Directors	Category of Directorship	No. of Board Meetings Attended	No. of other Directorships	Committee Memberships	Committee Chairmanships	Last Annual General Meeting Attended
None							

### Board Meetings and Attendance

During the financial year ended 31<sup>st</sup> March, 2006, four meetings of Board of Directors were held. The intervening period between two Board Meetings was well within the maximum time gap of 4 months as prescribed under Corporate Governance norms. The details of Board Meetings held during the year are as under:-

S.No.	Date of Board Meeting	Board's Strength	No. of Directors present
1.	27th April, 2005	8	7
2.	13th July, 2005	8	7
3.	13th October, 2005	8	5
4.	20th January, 2006	8	7

### Board's Processes

It has always been the Company's policy and practice that apart from matters requiring Board's approval by statute, all major decisions including quarterly results of the Company, financial restructuring, capital expenditure proposals, collaborations, material investment proposals in joint venture/promoted companies, sale and acquisition of material nature of assets, mortgages, guarantees, donations etc., are regularly placed before the Board. This is in addition to information with regard to actual operations, major litigation feed back reports, information on senior level appointments just below the Board level and minutes of all Committee Meetings.

The minimum information as required as per Code of Corporate Governance is being made available to the Board as and when applicable.

## 3. Committees of the Board

### A Audit Committee

The Audit Committee has been constituted as per Section 292A of the Companies Act, 1956 and the guidelines set out in the Listing Agreement with Stock Exchanges. The Audit Committee of the Company, inter-alia, provides assurance to the Board on the existence and adequacy of an effective internal control systems that ensures:-

- Efficiency and effectiveness of operations.
- Safeguarding of Assets and adequacy of provisions for all liabilities.
- Reliability of all financial and other Management information and adequacy of disclosures.
- Compliance with all relevant statutes.

The Committee has powers as envisaged under Clause 49(II) of the Listing Agreement and as specified by the Board of Directors of the Company and includes the following Terms of References:-

#### (a) Powers of Audit Committee

Audit Committee shall have following Powers:-

- a) to investigate any activity within its terms of reference
- b) to seek any information from any employee
- c) to obtain outside professional/legal advice
- d) to secure attendance of outsiders with relevant expertise, if considered necessary

#### (b) Role of Audit Committee

1. Oversight of 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 to the Board, the appointment, reappointment and, if required, the replacement or removal of the statutory auditors and the fixation of audit fee.
3. Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors.
4. Reviewing, with the management, the annual financial statements before submission to the board for approval with particular reference to:
  - a Matters required to be included in the Directors' Responsibility statement to be included in the Board's Report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
  - b Changes, if any, in accounting policies and practices and reasons for the same.
  - c Major accounting entries involving estimates based on the exercise of judgement by management.
  - d Significant adjustments made in the financial statements arising out of audit findings
  - e Compliance with Listing and other legal requirements relating to financial statements.
  - f Disclosure of 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 Company at large.
  - g. Qualifications in draft audit report.
5. Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing with the management, performance of the statutory and internal auditors, adequacy of internal control systems.
7. Reviewing the adequacy of internal audit function, if any, 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.
8. Discussion with internal auditors on any significant findings and follow-up thereon.
9. 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 system of a material nature and reporting the matter to the Board.
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look 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.
12. To Review the functioning of Whistle Blower mechanism, in case the same is existing.
13. Carrying out any other function, which may be specified as a role of the Audit Committee under amendments, if any, from time to time as per the listing agreement, Companies Act, 1956, and other statutes.

#### **(c) Review of information by Audit Committee**

The Audit Committee shall mandatorily review the following information:-

1. Management discussion and analysis of financial conditions and results of operations;
2. Statement of significant related party transaction as submitted by management;
3. Management letters/ letters of internal control weakness issued by the statutory auditors;
4. Internal Audit Reports relating to internal control weakness; and
5. The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by the Audit Committee.

#### **(d) Any other matter with the specific permission of the Board.**

#### **Composition and Attendance**

The Audit Committee comprises of three Non-executive Independent Directors, namely:-

Mr.A.K.Ladha	-	Chairman – Non-executive Independent.
Mr.U.K.Khaitan	-	Non-executive Independent
Mr.K.N.Memani	-	Non-executive Independent

Four Meetings of the Audit Committee were held during the year 2005-06. Attendance at the Meetings is as under:-

S.No.	Directors	No. of Meetings attended.
1.	Mr.A.K.Ladha	4
2.	Mr.U.K.Khaitan	3
3.	Mr.K.N.Memani	4

Statutory Auditors, Cost Auditors, Chief Financial Officer, Head of Management Assurance and Internal Audit are permanent invitees to the Audit Committee Meetings. The Company Secretary acts as the Secretary to the Audit Committee.

The Chairman of the Audit Committee attended the last Annual General Meeting held on 15th July, 2005.

### B. Remuneration Committee

The Company has a Remuneration Committee to review and recommend payment of annual salaries, commission, service agreements and other employment conditions of the Executive Directors comprising Managing Director and Whole-time Directors. The committee fixes the remuneration after taking into consideration remuneration practices followed by Companies of similar size and standing in the industry. The Committee periodically reviews and recommends suitable revision in the remuneration package of Executive Directors to the Board.

The Remuneration Committee comprises of three Directors as its members. All the members of the committee are independent, non-executive and persons of repute and have sound knowledge of management practices.

#### Composition

The constitution of the remuneration committee is as follows:-

S.No.	Name of Directors	Status	Category of Membership
1.	Mr.A.K.Ladha	Chairman	Independent, Non-executive
2.	Mr.U.K.Khaitan	Member	Independent, Non-executive
3.	Mr.K.N.Memani	Member	Independent, Non-executive

#### Meeting and Attendance:

One Meeting of the Remuneration Committee of the Company was held during the year 2005-06 on 27<sup>th</sup> April, 2005. Attendance at the Meeting is as under:-

S.No.	Name of Directors attended	Attendance
1.	Mr.A.K.Ladha	Attended
2.	Mr.U.K.Khaitan	Attended
3.	Mr.K.N.Memani	Attended

#### Remuneration Policy:

Subject to the approval of the Board of Directors and the subsequent approval by the shareholders at the General Body Meeting and such authorities as the case may be, remuneration of the Managing/Whole-time Directors is fixed by the Remuneration Committee. The remuneration is fixed considering various factors such as qualification, experience, expertise, prevailing remuneration in the competitive industries, financial position of the Company, etc. The remuneration structure comprises basic salary, commission, perquisites and allowances, contribution to provident fund and other funds in accordance with various related provisions of the Companies Act, 1956. The remuneration policy for Whole-time Directors is

directed towards rewarding performance, based on review of achievements. The non-executive Directors have not drawn any remuneration from the Company except sitting fee for meetings of the Board and Committees attended by them.

Details of Remuneration paid to the Directors during the Financial Year Ended 31<sup>st</sup> March, 2006.

(Rs. in 000')						
S. No.	Name of the Director	Salary	Perquisites and other benefits	Commission	Sitting Fee	Total
1.	Mr. M.L. Lohia	-	-	-	-	-
2.	Mr. O.P. Lohia @	7,200	4,444	2,936	Nil	14,580
3.	Mr. O.P. Vaish	-	-	-	80	80
4.	Mr. A.K. Ladha	-	-	-	500	500
5.	Mr. U.K. Khaitan	-	-	-	420	420
6.	Mr. K.N. Memani	-	-	-	180	180
7.	Mr. Vishal Lohia	-	-	-	-	-
8.	Mr. M. Yamamoto	-	-	-	-	-
	Total	7,200	4,444	2,936	1,180	15,760

@ Remuneration to Mr.O.P.Lohia – Chairman & Managing Director is being paid as per the terms and conditions approved by the Shareholders at the last Annual General Meeting (AGM) held on 15<sup>th</sup> July, 2005 and includes provision towards Commission @1% of the Net Profits of the Company during 2005-06.

#### Number of shares held by Non-executive Directors.

(There are no convertible instruments).

S.No.	Name of the Non-executive Director.	No. of Shares held as on 31.03.2006	%age
1.	Mr. M.L. Lohia	3,00,012	0.23
2.	Mr. O.P. Vaish	7,400	0.01
3.	Mr. U.K. Khaitan	Nil	Nil
4.	Mr. A.K. Ladha	17,713	0.01
5.	Mr. K.N.Memani	Nil	Nil
6.	Mr.M.Yamamoto	Nil	Nil
7.	Mr. Vishal Lohia	2,59,356	0.19

#### Details of Pecuniary Transaction

There has been no materially significant related party transactions that might have potential conflict with the interest of the Company at large. However, the following pecuniary transactions of Non-Executive Directors vis-à-vis the Company are disclosed hereunder:-

S.No.	Name of Non-Executive Director	Transaction Details (2005-06)	Pecuniary Relationship
1.	Mr.U.K.Khaitan	Professional and Legal Fees paid to M/s. Khaitan Jaykar Sud & Vohra, (Solicitors and Advocates). (Amount Rs. 5.65 lakh)	Mr.U.K.Khaitan, Advocate is a Partner in the said Legal Firm.

#### C Investors Grievance Committee

The Company has an Investors Grievance Committee to oversee investors grievances and redressal mechanism and recommends measures to improve the level of Investors' services. The Investors Grievance Committee comprises three directors with two of them being non-executive independent directors. The present composition of Investors Grievance Committee is as under:-

1. Mr. A.K. Ladha - Chairman, Non-executive Independent
2. Mr. U.K. Khaitan - Member, Non-executive Independent
3. Mr. O.P. Lohia - Member, Promoter - Executive

The functioning and terms of reference of the Committee are as prescribed under the Listing Agreement with the Stock Exchanges with particular reference to transfer, dematerialization, complaints of Shareholders etc.

The quorum for the functioning of the Committee is any two directors present. The Company attends to the Investor Grievances/correspondences expeditiously and usually a reply is sent within 10 days of receipt of letter, except in the cases that are constrained by dispute or legal impediment. The total complaints received and replied to the shareholders during the year ended 31<sup>st</sup> March, 2006 were 432. During the year four meetings of Investors Grievance Committee were held. The following is the attendance record at the Committee during the year:

#### Investors' Grievance Committee Attendance

Name of Members	No. of Meetings attended.
Mr.A.K. Ladha	4
Mr.U.K. Khaitan	3
Mr.O.P. Lohia	4

#### D. Banking and Finance Committee

The Banking and Finance Committee is authorised to decide and oversee matters relating to banking operations and to decide the investment strategy with regard to the available short term surplus funds with the company as well as the borrowings from banks and financial institutions. The Chairman is appointed by a voice vote and quorum is any two members present. The Committee enjoys the delegation of the Board in matters relating to the borrowings/ placement of funds in normal and routine course of business. The other terms of reference, inter-alia, include review of capital structure, financial policies, treasury and foreign exchange risk management.

#### Composition and attendance

The Banking and Finance Committee comprises Mr.O. P. Lohia, Mr.A.K.Ladha and Mr.U.K. Khaitan. The Chairperson is appointed by a voice-vote at each meeting. The Committee acts with a quorum of any two members present. During 2005-06, no meetings of the Banking and Finance Committee took place.

#### E. Management Committee

As on 31<sup>st</sup> March, 2006 the Management Committee comprises Mr.O.P. Lohia, Mr.A.K. Ladha and Mr.U.K. Khaitan. The Management Committee may deal with routine operational matters which are of an urgent nature. Chairperson is appointed by voice vote and quorum is any two members present. No meeting of the Management Committee was held during the year under report.

#### F. Allotment and Share Transfer Committee

The Company has a Committee of Directors known as the "Share Allotment and Transfer Committee" to look into and decide matters pertaining to share allotment, transfers, duplicate share certificates and related matters. During the year 2005-06, Share Allotment and Transfer Committee held 18 meetings to expeditiously dispose of the matters referred to above.

As on 31<sup>st</sup> March, 2006, the Share Allotment and Transfer Committee comprised of Mr.O.P.Lohia, Mr.A.K.Ladha and Mr.U.K.Khaitan.

The attendance at the Share Allotment and Transfer Committee Meetings is as under:

Name of Members	No. of Meetings attended.
Mr. O.P. Lohia	16
Mr. A.K. Ladha	12
Mr. U.K. Khaitan	11



#### 4. Mr. N.C.Jain, Company Secretary is the Compliance Officer of the Company.

#### 5. General Body Meeting

Details of last three Annual General Meetings (AGMs)/Extra-ordinary General Meeting (EGM)

Financial Year	AGM/EGM	Date/Time	Location
2002-03	AGM	August 22, 2003	11.00 A.M. Registered office of the Company.
2003-04	AGM	June 25, 2004	11.00 A.M. Registered office of the Company.
2004-05	AGM	July 15, 2005	11.00 A.M. Registered office of the Company.
2005-06	EGM	December 8, 2005	11.30 A.M. Registered office of the Company.

Special Resolutions passed in previous three AGMs and EGM

1. AGM held on August 22, 2003 : No special Resolution was passed in the AGM.
2. AGM held on June 25, 2004 :
  1. Approval of appointment and Remuneration to Mr. Shailendra Tandon, Whole-time Director.
  2. Approval of revised/increased remuneration to Mr. Vishal Lohia as Whole-time Director.
  3. Delisting of Shares of the Company from the Stock Exchanges at Delhi, Madhya Pradesh (Indore), Ahmedabad and Calcutta.
3. AGM held on July 15, 2005 : Payment of commission and revised remuneration to Mr. O.P. Lohia as Managing Director of the Company.
4. EGM held on December 8, 2005 : Approval for FCCB etc., upto US Dollar 100 million.  
**Postal Ballot Resolution** : No Resolution has been passed through Postal Ballot Mechanism during the year 2005-06. No Special Resolution is proposed to be conducted through Postal Ballot in current Financial Year.

#### 6. Disclosures

1. There had been no materially significant related party transaction that might have potential conflict with the interests of the Company at large. Transaction with related parties are disclosed in Note No. 11 of Schedule 23 to the Accounts in the Annual Report.
2. There has been no non-compliance penalties/strictures imposed on the Company by Stock Exchange(s) or SEBI or any other statutory authority, on any matter related to capital markets, during the last three years.
3. Presently, the Company does not have a Whistle Blower Policy. No personnel of the Company has been denied access to the Audit Committee.
4. The Company has complied with all the mandatory requirements of Clause 49. As regard the non-mandatory requirements, the extent of compliance has been stated in this report against each of them.

#### Code of Conduct

The Company has adopted a Code of Conduct for all Board Members and Senior Management of the Company. The Code of Conduct has already been posted on the website of Company for general viewing. All Board Members and Senior Management Personnel have affirmed compliance with the Code on annual basis and the CEO Certificate to the Board of Directors contains a declaration to this effect.

## 7. Means of Communication

- (i) The quarterly results of the Company are published in leading and widely circulated English/Hindi national/regional Newspapers as per the requirements of the Listing Agreement with the Stock Exchanges. The results are also faxed to the Stock Exchanges where the Company is listed.
- (ii) Quarterly Results released during the 12 months period ended 31<sup>st</sup> March, 2006.
- |   |   |
|---|---|
| For Financial Year/Quarter Ended 31.03.2005 | Business Standard (English), Nai Duniya (Hindi) |
| For Financial Year/Quarter Ended 30.06.2005 | Business Standard (English), Nai Duniya (Hindi) |
| For Financial Year/Quarter Ended 30.09.2005 | Business Standard (English), Nai Duniya (Hindi) |
| For Financial Year/Quarter Ended 31.12.2005 | Business Standard (English), Nai Duniya (Hindi) |
- (iii) The Company's financial results and official news releases are displayed on the Company's website [www.indoramaindia.com](http://www.indoramaindia.com)
- (iv) The Company regularly updates the media, analysts, institutional investors etc., through a formal presentation on its financials as well as other business developments.
- (v) Pursuant to Clause 51 of the Listing Agreement, all data related to quarterly financial results, shareholding pattern etc., are hosted on the Electronic Data Information Filing and Retrieval (EDIFAR) website maintained by SEBI in association with the National Information Centre, within the time frame prescribed in this regard.

**Management Discussion and Analysis forms a part of the Annual Report, which is posted to the shareholders.**

## GENERAL SHAREHOLDERS INFORMATION

Annual General Meeting:	The 20 <sup>th</sup> Annual General Meeting is Scheduled as under:-
Date:	15 <sup>th</sup> July, 2006 (Saturday)
Time:	11.00 A.M.
Venue:	Hotel Monarch, Sector 3, Sagor Kuti Choraha, (Opp. Hindustan Motors) Pithampur Dist. Dhar (M.P).
Date Book Closure:	From 1 <sup>st</sup> July, 2006 to 15 <sup>th</sup> July, 2006 (both days inclusive)
Registered Office:-	51-A, Industrial Area, Sector- III, Pithampur - 454 774, Dist. Dhar (M.P).
Financial Year:	1 <sup>st</sup> April, 2005 to 31 <sup>st</sup> March, 2006

## Financial Calendar for 2006-07.

Adoption of Quarterly Results Ended:	In the Month of	
30 <sup>th</sup> June, 2006	July, 2006	(2 <sup>nd</sup> / 3 <sup>rd</sup> week)
30 <sup>th</sup> September, 2006	October, 2006	(2 <sup>nd</sup> / 3 <sup>rd</sup> week)
31 <sup>st</sup> December, 2006	January, 2007	(2 <sup>nd</sup> / 3 <sup>rd</sup> week)
31 <sup>st</sup> March, 2007 (Audited Annual Accounts)	April, 2007	(2 <sup>nd</sup> / 3 <sup>rd</sup> week)

## Dividend and Dividend Payment Date:

A dividend of Rs.3.00 per share (30%) has been recommended by the Board of Directors for the Financial Year 2005-06 and is subject to approval of the shareholders at the ensuing Annual General Meeting. The dividend, if approved, will be paid on or before 14<sup>th</sup> August, 2006.

### Registrars and Share Transfer Agent ( For Physical as well as for Demat Segment )

MCS Limited  
"Srivenkatesh Bhawan"  
W-40, Okhla Industrial Area Phase-II  
New Delhi 110 020.  
Tel.No. : 91-11- 41406149-51  
Fax No.: 91-11- 41709881  
E-mail : mcsdel@vsnl.com

### Address for Investors Correspondence:

All queries of investors regarding the Company's shares in Physical / D'mat form may be sent at the following address:

Indo Rama Synthetics (India) Limited  
903, Mohandev, 13, Tolstoy Marg,  
New Delhi – 110 001.  
Tel.: 91-11- 23737686  
Fax.: 91-11- 23355364  
E-mail: naveenc.jain@indorama-ind.com

### Listing on Stock Exchanges:

Name of the Stock Exchanges in which the shares of the Company are currently listed for trading with stock codes

Stock Exchange	Scrip Code
National Stock Exchange of India Limited, Mumbai	INDORAMA
The Stock Exchange, Mumbai	500207
<b>ISIN No.</b>	<b>INE 156 A 01020</b>

Listing Fee for the year 2006-07 has been paid to the Stock Exchanges within the stipulated time.

### Listing of GDRs.

The Company's GDRs, each comprising eight underlying shares of the Company, are listed with Luxembourg Stock Exchange at Societe de la Bourse de Luxembourg, 11, Avenue de la Porte – Neuve, L-2227, Luxembourg.

There are no convertible instrument which could result in increasing the equity capital of the Company. The Company has already issued the underlying shares for GDRs which are held by the Depository, namely, Bank of New York.

### Shareholding Pattern of the Company as on 31<sup>st</sup> March, 2006.

Category	No. of shares held	%age of shareholding
<b>A. Promoters' holding</b>		
1. Promoters		
- Indian Promoters	2,95,27,439	22.40
- Foreign Promoters	4,32,88,057	32.84
2. Persons acting in concert	30,14,769	2.28
	<b>(A) Sub –Total (1+2)</b>	<b>57.52</b>
<b>B. Non-Promoters Holding</b>		
3. Institutional Investors		
a. Mutual Funds and UTI	74,07,321	5.62
b. Banks, Financial Institutions, Insurance Companies, Central/State Govt. Institutions/N.on-government Institutions.	64,66,546	4.91
c. FIs	16,07,495	1.22
	<b>Sub –Total (3)</b>	<b>11.75</b>
4. Others:-		
a. Private Corporate bodies.	1,77,93,993	13.50
b. Indian Public	1,19,35,362	9.05
c. NRIs/OCBs	2,54,942	0.19
d. Bank of New York (Depository for GDRs).	1,05,31,360	7.99
	<b>Sub –Total (4)</b>	<b>30.73</b>
	<b>(B) Sub –Total (3+4)</b>	<b>42.48</b>
	<b>GRAND TOTAL (A+B)</b>	<b>100.00</b>

Distribution of Shareholding as on 31<sup>st</sup> March, 2006.

	No. of Shares held	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
Upto	500	22724	86.24	3563652	2.70
501	1000	2087	7.92	1593895	1.21
100	2000	806	3.06	1200081	0.91
2001	3000	211	0.80	533749	0.40
3001	4000	131	0.50	465996	0.35
400	5000	90	0.34	421052	0.33
5001	10000	143	0.54	1069805	0.81
10001	and above	158	0.60	122979054	93.29
<b>Total</b>		<b>26350</b>	<b>100.00</b>	<b>131827284</b>	<b>100.00</b>

### Share Transfer System

Share transfers in physical form are registered by the Registrars and returned to the respective transferees within a period ranging from two to three weeks, provided the documents lodged with the Registrars/Company are clear in all respects.

### Dematerialisation of Shares

As per notifications issued by the Securities and Exchange Board of India (SEBI), the trading in Company's shares is permitted only in dematerialised form w.e.f. 31.05.1999. In order to enable the shareholders to hold their shares in electronic form and to facilitate scripless trading, the Company has enlisted its shares with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

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### Status of Dematerialisation as on 31<sup>st</sup> March, 2006:

No. of Shares Dematerialised	76776387	58.24% of the total share capital.
No. of Shareholders in D'mat form.	18423	69.92% of the total no. of shareholders.

### Stock Market Data during the Financial Year 2005-06.

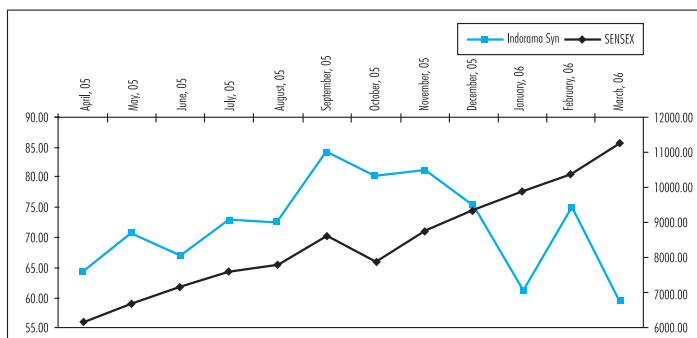
The monthly high and low quotations and volume of shares traded on The Stock Exchange, Mumbai (BSE) and National Stock Exchange of India Limited (NSE) are as follows:

Month	BSE			NSE		
	High	Low	Volume (No. of shares)	High	Low	Volume (No. of shares)
April 2005	69.90	61.25	4,50,329	70.00	62.10	16,09,979
May 2005	77.00	63.15	8,15,827	77.25	63.55	21,65,873
June 2005	75.75	67.00	7,94,625	75.80	63.55	18,50,076
July 2005	76.90	66.15	9,94,164	83.80	66.50	31,62,448
August 2005	76.80	69.00	9,16,536	76.70	69.50	22,45,986
September 2005	99.80	72.25	69,00,408	99.75	72.35	1,46,61,893
October 2005	88.50	73.25	11,07,456	87.60	71.30	21,46,228
November 2005	84.50	73.00	9,73,072	84.70	77.25	15,26,020
December 2005	82.90	73.50	7,73,028	82.90	73.15	11,55,343
January 2006	77.10	60.10	14,93,517	76.80	60.00	22,44,101
February 2006	75.45	56.00	11,75,053	75.50	56.10	24,69,965
March 2006	75.45	58.00	8,65,472	75.05	58.05	33,65,312

Source: www.bseindia.com & www.nseindia.com

## Stock Performance vis- a- vis BSE Sensex

The performance of the Company's Share related to BSE Sensex is given in the charts below :-



Monthly closing Share price on BSE (April, 2005 to March, 2006)

## Plant Locations of the Company as on 31<sup>st</sup> March, 2006

The Company has its manufacturing and operating complex at:

31-A, MIDC Industrial Area,  
Butibori, Nagpur, Maharashtra  
Tel. : 07104-265314  
Fax. : 07104-265305/265307

## Unclaimed Dividends

Pursuant to Section 205C of the Companies Act, 1956, all unclaimed dividends for the relevant years have been transferred to the Investor Education and Protection Fund (IEPF), administered by the Central Government. Given below are the dates of declaration of Dividend and corresponding dates when unclaimed dividends are due for transfer to IEPF.

Financial Year	Whether Interim/Final	Date of declaration of Dividend	Last date for transfer to IEPF
2002-03	Final	22.08.2003	21.09.2010
2003-04	1 <sup>st</sup> Interim	14.10.2003	13.11.2010
2003-04	2 <sup>nd</sup> Interim	19.01.2004	18.02.2011
2003-04	Final	25.06.2004	24.07.2011
2004-05	Interim	20.10.2004	19.11.2011
2004-05	Final	15.07.2005	14.08.2012

Shareholders who have not so far encashed their dividend warrant(s) or have not received the same are requested to seek issue of duplicate warrant(s) by writing to the Company confirming non-encashment/non-receipt of dividend warrant(s).

## Non-Mandatory Requirements

The status/extent of compliance of non mandatory requirements is as follows:

- (1) (a) Maintenance of Non-Executive Chairman's Office  
The Chairman is the Managing Director of the Company. Hence, no requirement of separate office.
- (b) Independent Directors may have a tenure, not exceeding, in the aggregate, a period of nine years, on the Board of the Company.  
As on date, there are Independent Directors having a term of office exceeding nine years.
- (2) Remuneration Committee  
Already constituted. Details given in the preceding paragraphs.
- (3) Half-yearly financial performance and summary of significant events to be sent to each household of shareholders.  
As the Company's half yearly results are published in English Newspapers having circulation all over India and in a Hindi Newspaper (having a circulation in Madhya Pradesh) the same are not sent to the Shareholders of the Company. Besides, the abovesaid information is available on website of the Company for Shareholders and Public.
- (4) Audit Qualifications – presently not applicable to the Company.
- (5) Training of the Board Members  
Presently the Company does not have such training programme.



- (6) Mechanism for evaluating Non-Executive Board Members.  
Presently, the Company does not have such a mechanism as contemplated for evaluating the performance of Non-Executive Board Members.
- (7) Whistle Blower Policy  
Presently, the Company does not have a Whistle Blower Policy. However, No personnel has been denied access to the Audit Committee.

**Electronic Clearing Service (ECS)**

SEBI had vide its Circular No. DCC/FITTCIR-3/2001 dated October 15, 2001 advised that all companies should mandatorily use ECS facility wherever available. In the absence of ECS facility, companies may use warrants for distributing the dividends and vide its Circular No. D&CC/FITTCIR-04/2001 dated November 13, 2001 had advised companies to mandatorily print the Bank Account details furnished by the Depositories, on the dividend warrants. This ensures that the dividend warrants, even if lost or stolen, cannot be used for any purpose other than for depositing the money in the accounts specified on the dividend warrants and ensures safety for the investors. However, members who wish to receive dividend in an account other than the one specified while opening the Depository Account, may notify their DPs about any change in the Bank Account details.

**Depository Services**

For guidance on depository services, Shareholders may write to the Company or to the respective Depositories:

**National Securities Depository Ltd.**

Trade World, 4<sup>th</sup> Floor, Kamala Mills Compound,  
Senapati Bapat Marg, Lower Parel, Mumbai 400013.

Telephone : 022-24994200  
Facsimile : 022-24972993  
E-mail : info@nsdl.co.in  
Website : www.nsdl.co.in

**Central Depository Services (India) Ltd.**

Phiroze Jeejeebhoy Towers,  
28<sup>th</sup> Floor, Dalal Street, Mumbai 400023.

Telephone : 022-22723333/22723224  
Facsimile : 022-22723199  
E-mail : investors@cdslindia.com  
Website : www.cdslindia.com

**Nomination Facility**

Shareholders holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956, are requested to submit to the Company the prescribed Form 2B for this purpose.

**AUDITORS' CERTIFICATE**

**To**  
**The Members of Indo Rama Synthetics (India) Limited**

We have examined the compliance of conditions of corporate governance by Indo Rama Synthetics (India) Limited, for the year ended on 31<sup>st</sup> March 2006, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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.

For S. R. Batliboi & Co.  
Chartered Accountants

per MANOJ GUPTA  
Partner  
Membership No. 83906

Place: New Delhi  
Date: 20th April, 2006



## DIRECTORS' REPORT FOR THE YEAR ENDED 31st MARCH 2006

Dear Shareholders,

Your Directors take great pleasure in presenting the 20th Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 2006.

### Financial Results

	Year Ended 31.03.2006	Year Ended 31.03.2005
Sales and Other Income	<b>21,646.59</b>	22,283.36
Profit before Financial Expenses, Depreciation and Tax (EBIDTA)	<b>1,947.33</b>	2,431.44
Financial Expenses	<b>294.93</b>	388.77
Profit before Depreciation and Tax (PBDT)	<b>1,652.40</b>	2,042.67
Depreciation	<b>980.63</b>	977.76
<b>Profit before Tax (PBT)</b>	<b>671.77</b>	1,064.91
- Provision for Tax	-	58.50
- Deferred Tax	<b>146.23</b>	304.33
- Fringe Benefit Tax	<b>7.20</b>	-
Profit after Tax (PAT)	<b>518.34</b>	702.08
<b>Add :</b>		
(a) Profit brought forward from previous year	<b>1,706.09</b>	1,626.89
(b) Transfer from Debenture Redemption Reserve	<b>48.12</b>	48.12
Profits after tax available for Appropriation	<b>2,272.55</b>	2,377.09
<b>Appropriations:</b>		
General Reserve	<b>52.00</b>	71.00
Interim Dividend on equity shares	-	131.83
Proposed final dividend on equity shares	<b>395.48</b>	395.48
Corporate Tax on proposed Dividend	<b>55.47</b>	72.69
Surplus carried to Balance Sheet	<b>1,769.60</b>	1,706.09
Total Appropriation	<b>2,272.55</b>	2,377.09

### Dividend

Your Directors are pleased to recommend a dividend of Rs.3.00 per equity share (30%) on the paid-up equity share capital of the Company for the financial year ended 31st March, 2006 for consideration and approval of the Shareholders at the Annual General Meeting.

The total payout of proposed dividend is Rs.450.95 million which includes the corporate dividend tax of Rs.55.47 million.

### Review of operations

The year under review was volatile for the Polyester industry with pressures on both the topline as well as the bottom line. Sustained high costs of raw-material (PTA and MEG) prices and input costs like Power continued to put pressure on the Polyester production cost. This coincided with a bumper production of Cotton and low Cotton prices making

Cotton Yarn relatively cheaper resulted in subdued offtake of Polyester Fibre and Yarn during the year under report. In order to support the industry during this period of rising input costs, interest rates and tight liquidity, it was consciously decided not to pass on the full impact of input costs increases to the customers. This has adversely impacted the profitability of the company for the year.

Your Company's cost competitiveness, product quality, extensive marketing and product development efforts, strong customer bonding and competitive pricing approach have helped the Company in sustaining its topline compared to last year. Your Directors continue to remain bullish on the future outlook of Polyester industry in India.

The Company achieved gross sales of Rs.21,019 million and Net Sales of Rs. 18,709 million representing a marginal fall of 4.4% and 0.21%, respectively as compared to the last

year. The Company reduced its interest costs during the year by more than 25%. Interest cost as a percentage to Net Sales has come down to 1.38% in the Financial Year 2005-06 as compare to 1.85% in the last Financial Year.

The Company's exports during the year at Rs. 2,478 million was higher by 78.5% compared to Rs.1,388 million in the previous year. The Company has bagged the Synthetics & Rayon Textile Export Promotion Council (SRTEPC) Export Awards for its export performance for the year 2004-05 as under:-

- Gold Trophy for best export performance to Latin American Countries.
- Trophy for best overall export performance in the Category of SRTEPC Special Award.
- Certificate of Merit for 100% growth in exports.

### Management Discussion and Analysis Report

Management Discussion and Analysis on matters relating to the business performance, as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges, is given as a separate statement in the Annual Report.

### Strategic Investments in Power Project for Captive Consumption

Your Company has made strategic investments of Rs.100 million in the equity capital of Indo Rama Petrochemicals Limited (IRPL) which is setting up a Coal Fired Thermal Power Project of 2x15 MW capacity at Butibori. The said power project is slated to be commissioned in July 2006, so as to synchronize with the additional power requirements of your Company on account of doubling of its Polyester capacities which will be commenced in phased manner from June 2006 onwards. The said captive power generating unit shall be beneficial to the Company in providing assured and uninterrupted power supply at lower/competitive rates.

### Draw Texturised Yarn (DTY) Division

It was being felt for sometime that the Company's DTY business needed greater business focus and accountability. With this objective in view, DTY business was physically segregated and treated as a distinct and independent division. Having done the segregation, the Company applied for and was granted a separate Central Excise registration for the DTY Division w.e.f. 1st July, 2005; the DTY Division of the Company is now acting as a separate profit centre.

### Registered Office

The Company has its Registered Office in Pithampur located in District Dhar in the State of Madhya Pradesh. Post-demergence of Company's Spun Yarn business in 2003, the entire focus of the Company has shifted to its core business, i.e., Polyesters for which the manufacturing facilities are located at MIDC, at Butibori near Nagpur in the State of

Maharashtra. In order to carry on its business more efficiently and to exercise better control and coordination, it is proposed to shift its Registered Office from the State of Madhya Pradesh to its plant at Butibori in the State of Maharashtra. A proposal to this effect under the relevant provisions of the Companies Act, 1956 shall be placed for your approval in the ensuing Annual General Meeting.

### Polyester Expansion Project

In synergy with our plans for gearing up to harness the emerging opportunities in the post quota era, your Company has taken up expansion of Polyester production capacity from 800 tonnes per day (tpd) to 1600 tpd for both Polyester Staple Fibre (PSF) and Partially Oriented Yarn (POY). The project continues to be on track both on costs as well as on time lines and commercial production is expected to commence in a phased manner from June, 2006 onwards.

Post expansion the Polyester capacity of the Company will increase to around 600,000 tpa. at a single location in Butibori, Nagpur. The expansion shall bring with it the advantages of scale and technology, coupled with the challenges of driving down costs, reaching newer customers and aggressively building up market share.

### Corporate Governance

A separate section on Corporate Governance Report and a Certificate from the Statutory Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, forms a part of the Annual Report.

### Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo.

The prescribed details as required under Section 217 (1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 are set out in the Annexure forming part of this Report.

### Particulars of Employees

The details required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 (as amended), are given in the Annexure and form part of this Report.

### Fixed Deposits

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

### Directors

There has been no change in the Board of Directors of the Company during the year under Report. In accordance with

Article 133 of the Articles of Association of the Company, Mr.M.L. Lohia and Mr.U.K.Khaitan retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

### Directors' Responsibility Statement

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

- (1) In the preparation of annual accounts for the financial year ended 31st March, 2006, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- (2) The Directors have selected such accounting policies and have applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2006 and of the profit of the Company for the year ended on that date;
- (3) the Directors have taken proper and sufficient care 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; and
- (4) the Directors have prepared the annual accounts for the financial year ended 31st March, 2006 on a going concern basis.

### Auditors and their observations

M/s S.R. Batliboi & Company, Chartered Accountants, Auditors of the Company will retire at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-appointment. The Company has received a certificate from the Auditors to the effect that their re-appointment, if made, would be in accordance with Section 224(1B) of the Companies Act, 1956. The Board recommends their re-appointment.

The notes to the accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

### Cost Auditors

Pursuant to a directive of the Central Government, the Company is required to conduct a Cost Audit in respect of its polyester operations every year until further notice. Accordingly, qualified cost auditors have been appointed to

carry out audit of the cost accounts maintained by the Company for the year ended 31st March, 2006.

### Corporate Social Responsibility

Your Directors believe that the opportunities promised by market based reforms would stand vastly circumscribed in a nation where illiteracy is rampant. Indo Rama's education support programme is aimed at overcoming the lack of good educational opportunities available to the masses. As a step towards this Corporate Social responsibility, your Company during the year 2005-06 has contributed, as donation, fixed assets comprising of school building, furniture and fixtures, office equipments etc., having a net block of Rs.24.10 million to IRA International Society, responsible for Management and running of IRA International School at Butibori Industrial Area at Butibori for the benefit of children of local residents.

### Human Resources

Industrial relations continued to be cordial for most part of the year under report. There was an unfortunate incident of industrial unrest at the Butibori plant during September/October, 2005, when the workers resorted to illegal stoppage of work. Since then, the Company signed a three year long term wage agreement with the labour unions. Your Company firmly believes that a dedicated workforce constitute the primary source of sustainable competitive advantage. Accordingly, human resource development continues to receive focused attention. Your Directors wish to place on record their appreciation for the dedicated and commendable services rendered by the staff and workforce of the Company.

### Acknowledgements

Your Directors take this opportunity to offer their sincere thanks to various Departments of the Central and State Governments, Government agencies, Financial Institutions, Banks, shareholders, customers, employees and other related organisations, who through their continued support and co-operation, have helped in your Company's progress.

For and on behalf of the Board of Directors of  
Indo Rama Synthetics (India) Limited

**O. P. Lohia**

Chairman & Managing Director

Place: New Delhi

Dated: 20th April, 2006

## ANNEXURE TO DIRECTORS' REPORT

Information under Section 217 (1) (e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors Report for the year ended 31<sup>st</sup> March, 2006.

### CONSERVATION OF ENERGY

#### Energy Saving Measures taken and proposals under implementation:-

- Switching over from 1x4.0 MW DG to 13.5 MW DG power plant (Saving Rs.2.32 million / annum).
- Saving of air leakage at inspection station by making automation of stripping (Saving Rs.0.66 million/annum).
- Variable frequency drive for 12 bar reciprocating air compressor (Saving Rs.1.11 million/annum).
- Optimization of the chilled water in air chillers to save TR (Saving Rs.0.64 million/annum).
- Conversion of Dow heated air heater to steam heated air heater (Saving Rs.0.75 million/annum).
- Stoppage of one HTM heater to achieve power saving (Saving Rs.1.78 million / annum).
- Reduction in steam consumption in PSF by traps management (Saving Rs.1.62 million/annum).
- Installation of harmonic filters for PSF transformers (Saving Rs.3.05 million / annum).
- Modification of PSF-1 group inverters (Saving Rs.1.20 million/annum).
- Installation of Energy Management System for various services of utility (Saving Rs.0.40 million/annum).
- Installation of power - ride through on PSF spg. inverter to avoid stoppage of polymer gear pump during voltage dip (Saving Rs. 8.00 million/annum).
- Evaporative cooling improvement through cell deck paper pads in Blue star AHU's (Saving Rs. 3.88 million/annum).

Total Energy Consumption and Energy Consumption per unit of production as per prescribed Form – A

#### FORM - A

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Form for Disclosure of Particulars with respect to Conservation of Energy:

PARTICULARS		Current Year 31.03.2006	Previous Year 31.03.2005
<b>(A)</b>	<b>POWER &amp; FUEL CONSUMPTION</b>		
	<b>1 ELECTRICAL</b>		
	<b>(a) Purchases</b>		
	Units (kwh in '000)	21833	7838
	Total Amount (Rs in '000)	71791	30489
	Rate / kwh (in Rs)	3.29	3.89
	Less: Units Shared		
	Units (kwh in '000)	13170	Nil
	Total Amount (Rs in '000)	42743	Nil
	Rate / kwh (in Rs)	3.25	Nil
	Net : Consumption		
	Units (kwh in '000)	8663	7838
	Total Amount (Rs in '000)	29048	30489
	Rate / kwh (in Rs)	3.35	3.89
	<b>(b) Own Generation</b>		
	<b>(i) Through Diesel Generation</b>		
	Units (kwh in '000)	203374	241107
	Units / Ltr of FO	4.50	4.56
	Cost / Unit (Rs / Unit)	3.20	2.32
	Less: Units Shared:		
	Units (kwh in '000)	30051	53902
	Units / Ltr of FO	4.50	4.56
	Cost / Unit (Rs / Unit)	3.20	2.32

Net :	Consumption		
	Units (kwh in '000)	<b>173323</b>	187205
	Units / Ltr of FO	<b>4.50</b>	4.56
	Cost / Unit (Rs / Unit)	<b>3.20</b>	2.32
(ii)	Through Steam Turbine / Generation Unit		
	Units / Ltr of Fuel Oil	<b>Nil</b>	Nil
	Gas	<b>Nil</b>	Nil
	Cost / Unit (Rs / Unit)	<b>Nil</b>	Nil
<b>2</b>	<b>COAL</b>		
	Quantity in MT	<b>25450</b>	27376
	Total Cost (Rs in ' 000)	<b>59763</b>	42150
	Average Rate (Rs / MT)	<b>2348</b>	1540
<b>3</b>	<b>FURNACE OIL</b>		
	Quantity (KL)	<b>70542</b>	80268
	Total Cost (Rs in ' 000)	<b>1017792</b>	818598
	Average Rate (Rs / Lt)	<b>14.43</b>	10.20
<b>4</b>	<b>OTHERS/INTERNAL GENERATION</b>	-	-
<b>(B)</b>	<b>CONSUMPTION PER UNIT OF PRODUCTION</b>		
	Production of Polymer Products (M.T.)	<b>265580</b>	303383
	Electricity / Kg (in kwh)	<b>0.69</b>	0.64

## TECHNOLOGY ABSORPTION

### Form for Disclosure of Particulars with respect to Absorption (Form-B)

#### RESEARCH & DEVELOPMENT (R&D) :

##### 1. Specific Areas in which R&D carried out by the Company :

- Improvement in polymer product consistency / quality by implementation of APC (Advance Process Control) in CP / POY area.
- Through optimization of HTM heater and proper loading, One HTM heater stopped to achieve energy saving.
- Replacement of UFPP EG Circulation Pump for higher efficiency.
- Optimisation of Finisher Glycol temperature / horizontal spray flow rate to reduce the evaporation / entrainment losses of MEG.
- Implementation of 1 MT IBC container in place of 200 Kgs drum for supply of POY / FDY spin finish.
- To reduce the I/M air consumption by use of Special I/M jets in FDY.
- Reduction of FDY waste by improving work practices and process optimization.
- Reduction in spin finish consumption by minimizing wastages.
- New product development in POY – 115D/108 & FDY – 51D/34.
- In-house recycle of POY paper tubes.
- Development of Universal spin finish recipe for Ring spinning, Open-end & Air jet spinning.
- New Product development & commercialization of PSF – 0.8D micro denier for value added applications.
- Reduction in PSF spin finish consumption by re-engineering of spin finish application system.
- To improve customer satisfaction by optimization of PSF bale weight.

##### 2. Benefits derived as a result of the above R&D :

- Reduction in Raw Material consumption from 1.1893 mt/mt to 1.1869 mt/mt by optimization process temperatures / APC implementation.
- Better runnability of PSF due to improvement in Polymer quality.

- Saving of Capital Cost towards “New Polymer Cooler” as well as recurring power saving of 0.75 million /annum due to reduction in fouling.
- Power saving of Rs. 5 million /annum due to stoppage of one HTM heater and New UFPP EG Pump.
- By using 1MT IBC container of POY / FDY spin finish in place of 200 Kgs drums, resulted into Rs 1.42 million / annum
- By use of high efficient, low air consumption Intermingling jets in FDY saving of Rs 0.9 million / annum
- Re-conditioning of filter candles resulted in Rs 1.1 million / annum
- By implementation of APC in Polymerization process, improved PSF, POY, FDY product quality leading to better performance at the customer end
- Because of improving spin finish application system resulted in lower DM water consumption and less effluent for treatment & reduction in oil consumption

### 3. Import Substitution:

#### Savings in procurement and alternative sourcing :

- Driven Value Engineering across all procurement base to achieve Cost control.
- Brought Savings through E-sourcing approximately 6.5% for a spend base of INR 3479 Lacs.
- Maximized utilization of latest procurement tools like Reverse/ Forward auctions thru Logical decisions.
- Brought Savings on Consumables like Metal Ribbon, Side Plate, Cutter Blades Wave, Plates and CMS through alternative sourcing approximately INR 71.06 Lacs.
- Brought Savings of INR 6.5 Lacs through volume purchases of regular materials by getting in to Rate Contracts with all the suppliers.
- Across Business, Reduced the Spend levels and avoided costs.
- Brought Savings of INR 2500 Lacs on Project procurements through procurement efficiency.

### 4. Future Plan of Action :

- Pre heating of standby 46 engine through HT water heat recovery of running 46 engine (Saving Rs.0.43 million / annum).
- Reduction in fuel consumption in 13.54 mw DG sets by 0.25 gms/kwh (from existing 195.15 to 194.90) by changing the intake air filters (Saving Rs.0.89 million/annum).
- Use of partially heating media steam in place of power in HFO separator at 3x13.5 mw DG power plant (Saving Rs.3.5 million/annum).
- Automation of cooling tower fan logic in DCS to conserve electrical energy (Saving Rs.0.7 million/annum).
- Low capacity pumps installation in Utility Cooling Water system (Saving Rs.0.82 million/annum).
- Up gradation of N2 plant PSA towers to conserve the air (Saving Rs.1.05 million/annum).
- Installation of hydro boosting system in soft water system (Saving Rs.0.86 million/annum).
- Air audit of air system to optimize the pressure (Saving Rs.1.91 million/annum).
- Old VAC replacement by new VAC machines (Saving Rs.14.71 million/annum).
- Installation of centac air compressor in place of reciprocating air compressors (Saving Rs.6.6 million/annum).
- Replacement of UFPP EG circulation pump (Akay make) with energy efficient new KSB pump (Saving Rs.0.519 million/annum).
- Running of CP-1 liquid Dow cooler on inverter to achieve energy saving (Saving Rs.0.946 million/annum).
- Optimizing the mole ratio with 0.05 units reduction and saving FO (Saving Rs.5.2 million/annum).
- To reduce power consumption by reducing PGP discharge pressure by 20 kg/cm<sup>2</sup> in each CP (Saving Rs.0.75 million/annum).
- Replacement of present ENKA jet with fiber line jets in FDY m/c (Saving Rs.0.9 million / annum).
- To install AWA make intermingling jets on POY machines in CP-1/2/3 (Saving Rs.4.97 million/annum).
- Use of 4.5 bar intermingling air instead of 6 bar for DTY (Saving Rs.4.30 million/annum).
- Solar heater for canteen (Saving Rs.0.13 million/annum).
- Evaporative cooling improvement through additional exhaust systems including cell & deck paper pads in LTG AHU's (Saving Rs.14.7 million/annum).
- Gravity flow of effluent instead of pumping in CP-1/2/3/4/5 (Saving Rs. 0.45 million/annum).
- Replacement of degasser pump by energy efficient pump (Saving Rs. 0.20 million/annum).



## 5. Expenditure on Research and Development

(a)	Capital (Rs. In '000)	— Nil
(b)	Recurring	— Nil
(c)	Total	— Nil

## 6. Technology Absorption, Adaptation and Innovation :

- First time implementation of APC in Polyester industry for process improvement
- Value addition by using IBC spin finish container
- Resource conservation by optimization of spin finish application system & recycling of POY Paper tubes
- In-house technique for on-line polymer cooler cleaning

## 7. Benefits derived as a result of the above efforts :-

- Cost saving & reduction in manufacturing cost
- Improvement & consistency in product quality
- Product performance improvement at Customer end
- Energy & Resource conservation

## FOREIGN EXCHANGE EARNINGS AND OUTGO OF THE COMPANY

	(Rs.in '000)	
	Year ended 31.03.2006	Year ended 31.03.2005
a) Foreign Exchange earnings of the Company:		
i) Exports (FOB value)	2,478,414	1,388,311
ii) Others	142,270	59,248
<b>Grand Total</b>	<b>2,620,684</b>	<b>1,447,559</b>
b) Foreign Exchange Outgo:		
i) CIF value of Imports :		
a) Raw Material	4,066,700	3,635,339
b) Goods purchased for re-sale	-	56,187
c) Stores and Spares	67,719	70,715
d) Capital Goods	1,269,261	10,416
<b>Sub Total</b>	<b>5,403,680</b>	<b>3,772,657</b>
ii) Others Expenditures :		
Travelling	3,110	4,957
Claims	961	77
Commission	12,919	4,256
Interest (Net)	200,357	163,729
Fees for Export Credit Insurance	-	226,487
Advisory Fees	3,391	27,764
Others	18,427	10,915
<b>Sub Total</b>	<b>239,165</b>	<b>438,185</b>
c) Net Dividend Remitted in foreign exchange :		
i) Final Dividend for the period from 01.04.2004 to 31.03.2005	146,683	99,055
ii) Interim Dividend for the period from 01.04.2005 to 31.03.2006	-	49,527
<b>Sub Total</b>	<b>146,683</b>	<b>148,582</b>

**PARTICULARS OF EMPLOYEES AS PER SECTION 217 (2A) OF THE COMPANIES ACT, 1956 AND THE RULES THEREUNDER FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2006.**

**ANNEXURE TO DIRECTORS' REPORT**

S.No.	Name (MESSRS)	DESIGNATION/ NATURE OF DUTIES	TOTAL REMUNERATION (RS.)	QUALIFICATIONS	AGE (YEARS)	EXPERIENCE (YEARS)	COMMENCEMENT OF EMPLOYMENT	LAST EMPLOYMENT HELD (DESIGNATION)
<b>(A) Employed for full financial year and in receipt of remuneration at the rate which in aggregate is not less than Rs. 2,400,000 p.a.</b>								
1.	Bhatia G.P.	President (Poly)	4,373,673	B.Sc., M.B.A.	60	35	01.11.1999	Reliance Industries Ltd. (Sr. Vice President)
2.	Chatterjee Abhinandan	President & CFO	4,937,253	B.Com (Hons.) FCA	56	32	18.08.2004	Glaxo Smithkline consumer Health Care Ltd., (Area Director - Finance & IT)
3.	Das Somen	Sr. Vice President (Business Strategy & Corporate HR)	3,918,976	B.Sc.PGDM	51	27	24.07.2002	Haldia Petrochemicals Ltd (Head Corporate Affairs)
4.	Kishore Anant	Sr. Vice President (Project)	4,480,715	B.Sc., chem. Engg., PGDM & IM	56	35	07.07.1999	Reliance Industries Ltd. Vice President (Project)
<b>(B) Employed for part of the year and in receipt of remuneration at the rate which in aggregate is not less than Rs. 200,000 p.m.</b>								
1	Khandelwal CV	Chief of operations (Poly & DTY)	3,651,070	B.Text, MBA	57	25	04.04.2005	Nova Petrochemicals Ltd. (President)

Notes :

- Total remuneration comprises salary, special pay and allowances, medical reimbursement, LTC, Company's contribution to P.F., gratuity, monetary value of other perquisites on the basis of Income Tax Act and Rules, performance bonus and ex-gratia payments on separation.
- All employments are non-contractual.

## AUDITORS' REPORT

To

**The Members of Indo Rama Synthetics (India) Limited**

1. We have audited the attached Balance Sheet of Indo Rama Synthetics (India) Limited as at 31st March, 2006 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.
2. 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.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Attention is invited to Note No. 9 in Schedule 23 to the financial statements regarding accumulation of Cenvat Credit aggregating to Rs.65,900 thousand as a result of inverted duty structure. As stated in the said Note, the management is reasonably confident that this anomaly shall get corrected and the accumulations in Cenvat account liquidated over a reasonable period of time.
5. Further to our comments in the Annexure referred to above, we report that:
  - i. 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;
  - ii. 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;
  - iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - v. On the basis of the written representations received from the directors, as on 31st March, 2006, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
  - vi. In our opinion and to the best of our information and according to the explanations given to us, the said 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;
    - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2006;
    - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For S. R. Batliboi & Co.  
Chartered Accountants

per MANOJ GUPTA  
Partner  
Membership No. 83906

Place: New Delhi  
Date: 20th April, 2006

**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE**

Re : Indo Rama Synthetics (India) Limited

- (i) (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 during the year based on a phased programme of verifying all the assets over a period of three years, which in our opinion is reasonable having regard to the size of the Company and the nature of its fixed assets. As informed, no material discrepancies were noticed on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (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 the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) As informed, the Company has granted a loan to a Company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.9,683 thousand and the year-end balance of loan was Rs. Nil.
- (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of such loan are not prima facie prejudicial to the interest of the Company.
- (c) In respect of the loan given, receipt of the principal amount is as stipulated and receipt of interest has been regular.
- (d) There is no overdue amount more than rupees one lakh of loan given to the said party.
- (e-g) As informed, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 and hence, clauses iii (e), (f) and (g) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system, commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. The provisions relating to sale of services is not applicable to the Company. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register maintained under Section 301, have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding the value of Rupees five lakhs have been entered into during the financial year at prices, which are reasonable, having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of the products to which the said rules are applicable and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) 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 other material statutory dues applicable to the Company have generally been regularly deposited with the appropriate authorities.

- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other undisputed statutory dues were outstanding at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess on account of any dispute are as follows:

Name of the Statute	Nature of dues	Amount Rs.'000	Period to which it relates	Forum where dispute is pending (Amount in Rs.'000)
Customs Act, 1962	Customs duty demand	17,574	08/2000 to 03/2001	High Court, Nagpur
The Central Excise Act, 1944	Service tax demand including interest and penalty	7,160	1997-98, 1998-99 & 2000-2001	1) Adjudication - Jt. CCE, Nagpur : Rs.3798 2) Customs, Excise & Service Tax Appellate Tribunal - Rs.3,362
The Central Excise Act, 1944	Cenvat on Inputs including fines & penalties	40,546	10/1996 to 02/2004	1) Adjudication - CCE, Nagpur - Rs.33,524 2) Adjudication - Addnl. CCE Dn II, Nagpur - Rs.3,672 3) Adjudication - Dy. CCE Dn II, Nagpur - Rs.493 4) Customs, Excise & Service Tax Appellate Tribunal - Rs.2,857
The Central Excise Act, 1944	Excise duty demand including fines and penalties	109,341	04/1996 to 09/2004	1) Adjudication - CCE, Nagpur- Rs.75,669 2) Adjudication - Dy. CCE Dn II, Nagpur - Rs.588 3) Commissioner (Appeals) - Rs. 870 4) Customs, Excise & Service Tax Appellate Tribunal - Rs.15,821 5) Supreme Court - Rs.16,393
Bombay Sales Tax Act, 1959/ Central Sales Tax Act, 1956	Sales tax	8,585	1998-05	Dy. Commissioner of Sales Tax (Appeals), Nagpur

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In respect of dealing/ trading in shares, securities and other investments, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions



and contracts and timely entries have been made therein. The shares, securities and other investments have been held by the Company in its own name.

- (xv) According to the information & explanations given to us, the Company has given guarantee for loans taken by others from bank, the terms and conditions whereof in our opinion are not prima facie prejudicial to the interest of the Company.
- (xvi) Based on information and explanations given to us by the management, the term loans were applied for the purpose for which the loans were obtained, though idle/ surplus funds which were not required for immediate utilization have been invested in liquid investments. The maximum amount of idle/ surplus funds invested during the year was Rs.30,000 thousand of which Rs.Nil was outstanding at the end of the year.
- (xvii) According to the information and explanations given to us and on overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company has created adequate security or charge in respect of privately placed debentures issued in the earlier years.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S. R. Batliboi & Co.  
Chartered Accountants

per MANOJ GUPTA  
Partner  
Membership No. 83906

Place: New Delhi  
Date: 20th April, 2006



## BALANCE SHEET AS AT 31st MARCH, 2006

	Schedules	31.03.2006 Rs.'000	31.03.2005 Rs.'000
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share capital	1	1,318,257	1,318,238
Reserves and surplus	2	5,356,733	5,433,846
		<b>6,674,990</b>	<b>6,752,084</b>
<b>Loan Funds</b>			
Secured loans	3	5,609,375	5,560,059
Unsecured loans	4	-	205,260
		<b>5,609,375</b>	<b>5,765,319</b>
<b>Deferred Tax Liability (net)</b>	5	<b>1,769,762</b>	<b>1,623,529</b>
<b>TOTAL</b>		<b>14,054,127</b>	<b>14,140,932</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross block	6	20,734,085	20,737,313
Less : Accumulated Depreciation/Amortisation		9,708,145	8,613,130
Net block		<b>11,025,940</b>	<b>12,124,183</b>
Capital work-in-progress including capital advances		<b>3,470,765</b>	<b>577,171</b>
Expenditure During Construction Period (Pending Capitalisation/Allocation)	7	<b>790,660</b>	<b>475,448</b>
		<b>15,287,365</b>	<b>13,176,802</b>
<b>Investments</b>	8	<b>489,793</b>	<b>650,553</b>
<b>Current Assets, Loans and Advances</b>			
Inventories	9	1,272,536	3,411,994
Sundry debtors	10	679,317	928,574
Cash and bank balances	11	101,567	202,921
Other current assets	12	260,713	144,606
Loans and advances	13	904,908	565,518
		<b>3,219,041</b>	<b>5,253,613</b>
<b>Less: Current Liabilities and Provisions</b>			
Liabilities	14	4,158,978	4,225,318
Provisions	15	783,094	721,263
		<b>4,942,072</b>	<b>4,946,581</b>
<b>Net Current (Liability) / Assets</b>		<b>(1,723,031)</b>	<b>307,032</b>
<b>Miscellaneous Expenditure</b> (to the extent not written off or adjusted)	16	-	6,545
<b>TOTAL</b>		<b>14,054,127</b>	<b>14,140,932</b>
<b>Notes to Accounts</b>	23		

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

As per our report of even date

S.R.Batliboi & Co.  
Chartered Accountants

For and on behalf of the Board of Directors

per MANOJ GUPTA  
Partner  
Membership No. : 83906

N.C. JAIN  
Company Secretary

A. CHATTERJEE  
President  
& CFO

A.K. LADHA  
Director

O.P. LOHIA  
Chairman &  
Managing Director

Place : New Delhi  
Date : 20th April, 2006

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2006**

	Schedules	31.03.2006 Rs.'000	31.03.2005 Rs.'000
<b>INCOME</b>			
Turnover (Gross)		21,018,966	21,987,084
Less : Excise duty		2,309,892	3,239,189
Turnover (net)		18,709,074	18,747,895
Other income	17	627,623	296,280
<b>TOTAL</b>		<b>19,336,697</b>	<b>19,044,175</b>
<b>EXPENDITURE</b>			
Purchase of goods for resale		1,621,907	270,940
Raw material consumed		11,095,060	13,404,797
Personnel expenses	18	356,888	327,872
Operating and other Expenses	19	2,397,868	2,333,262
Decrease in inventories	20	1,917,645	275,866
<b>TOTAL</b>		<b>17,389,368</b>	<b>16,612,737</b>
<b>Profit before financial expenses, depreciation/amortisation and tax</b>		<b>1,947,329</b>	<b>2,431,438</b>
Financial Expenses	21	294,932	388,769
<b>Profit before depreciation/amortisation and tax</b>		<b>1,652,397</b>	<b>2,042,669</b>
Depreciation/Amortisation		1,114,661	1,113,836
Less : Transfer from Revaluation Reserve		134,036	136,071
<b>Profit before tax</b>		<b>671,772</b>	<b>1,064,904</b>
Provision for tax ( including Rs.Nil thousand for earlier years , Previous year Rs.500 thousand )		40,500	58,500
Less: MAT credit entitlement		40,500	-
Deferred tax charge		146,233	304,325
Fringe benefit tax		7,200	-
<b>Total Tax expense</b>		<b>153,433</b>	<b>362,825</b>
<b>Net Profit</b>		<b>518,339</b>	<b>702,079</b>
Balance brought forward from Previous year		1,706,087	1,626,886
Transfer from Debenture Redemption Reserve		48,125	48,125
<b>Profit available for appropriation</b>		<b>2,272,551</b>	<b>2,377,090</b>
<b>APPROPRIATIONS:</b>			
Interim dividend		-	131,827
Proposed final dividend		395,482	395,482
Tax on dividend		55,466	72,694
Transfer to general reserve		52,000	71,000
<b>TOTAL</b>		<b>502,948</b>	<b>671,003</b>
<b>Surplus carried to Balance Sheet</b>		<b>1,769,603</b>	<b>1,706,087</b>
Earnings per share	22		
-Basic and diluted (In Rupees)		3.93	5.33
<b>Notes to Accounts</b>	23		

The Schedules referred to above form an integral part of the Profit and Loss Account.  
As per our report of even date

S.R.Batliboi & Co.  
Chartered Accountants

For and on behalf of the Board of Directors

per MANOJ GUPTA  
Partner  
Membership No. : 83906

N.C. JAIN  
Company Secretary

A. CHATTERJEE  
President  
& CFO

A.K. LADHA  
Director

O.P. LOHIA  
Chairman &  
Managing Director

Place : New Delhi  
Date : 20th April, 2006

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31st March, 2006

	31.03.2006 Rs.'000	31.03.2005 Rs.'000
<b>A. Cash flow from operating activities</b>		
<b>Net profit before tax</b>	<b>671,772</b>	1,064,904
Adjustments for:		
Depreciation	<b>980,625</b>	977,765
Loss on fixed assets sold / discarded (net)	<b>2,687</b>	25,133
Provision for diminution in the value of investments (net)	<b>(4,618)</b>	(128,936)
(Profit) / Loss on sale of investments (net)	<b>(415,382)</b>	147,771
(Profit) / Loss on settlement of derivatives	<b>(7,175)</b>	9,135
Deferred revenue expenditure written off	-	18,838
Foreign Exchange loss (net)	<b>43,234</b>	62,567
Interest income	<b>(41,003)</b>	(47,897)
Dividend income	<b>(22,796)</b>	(30,457)
Interest expense	<b>259,413</b>	348,535
Bad debts written off	<b>98,712</b>	1,839
Provision for doubtful debts and advances (net)	<b>(58,159)</b>	12,047
<b>Operating profit before working capital changes</b>	<b>1,507,310</b>	2,461,244
Movements in working capital :		
Decrease in inventories	<b>2,139,458</b>	890,598
Decrease / (Increase) in sundry debtors	<b>208,794</b>	(232,510)
Increase in other current assets	<b>(103,295)</b>	(119,733)
(Increase) / Decrease in loans & advances	<b>(274,269)</b>	31,072
Decrease in current liabilities and provisions	<b>(164,270)</b>	(490,158)
Cash generated from operations	<b>3,313,728</b>	2,540,513
Direct taxes paid (net)	<b>(56,140)</b>	(48,078)
<b>Net cash from operating activities</b>	<b>3,257,588</b>	2,492,435
<b>B. Cash flows from / (used in) investing activities</b>		
Purchase of fixed assets	<b>(2,991,771)</b>	(972,569)
Purchase of investments	<b>(5,876,445)</b>	(7,750,732)
Proceeds from sale of fixed assets	<b>29,623</b>	4,927
Sale of investments	<b>6,457,205</b>	9,423,456
Profit / (Loss) on settlement of derivatives	<b>7,175</b>	(9,135)
Deposits given to other companies	-	(70,000)
Deposits received back from other companies	<b>64,683</b>	38,543
Dividends received	<b>7,836</b>	30,457
Interest received	<b>43,575</b>	50,285
<b>Net cash (used in) / from investing activities</b>	<b>(2,258,119)</b>	745,232
<b>C. Cash flows used in financing activities</b>		
Receipts against partly paid shares	<b>78</b>	54
Repayment of long term borrowings	<b>(1,923,682)</b>	(3,160,223)

### CASH FLOW STATEMENT (Contd.)

	31.03.2006 Rs.'000	31.03.2005 Rs.'000
Proceeds from long term borrowings	2,076,405	637,385
(Repayment of) / Proceeds from short term borrowings (net)	(422,990)	237,561
Dividends paid	(394,456)	(394,469)
Tax on dividends paid	(55,466)	(51,009)
Interest paid	(380,712)	(381,459)
<b>Net cash used in financing activities</b>	<b>(1,100,823)</b>	<b>(3,112,160)</b>
<b>Net (decrease)/ increase in cash and cash equivalents (A+B+C)</b>	<b>(101,354)</b>	<b>125,507</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>202,921</b>	<b>77,414</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>101,567</b>	<b>202,921</b>
<b>Components of cash &amp; cash equivalents</b>		
Cash and cheques on hand	58,104	167,202
With banks		
- on current accounts	1,121	730
- on cash credit accounts	37,019	691
- on deposit accounts	-	30,000
- on unpaid dividend accounts	5,323	4,298

#### Notes:

- The Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard - 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.
- Negative figures have been shown in brackets.

As per our report of even date.

S.R.Batliboi & Co.  
Chartered Accountants

For and on behalf of the Board of Directors

per MANOJ GUPTA  
Partner  
Membership No. : 83906

N.C. JAIN  
Company Secretary

A. CHATTERJEE  
President  
& CFO

A.K. LADHA  
Director

O.P. LOHIA  
Chairman &  
Managing Director

Place : New Delhi  
Date : 20th April, 2006



## SCHEDULES TO THE ACCOUNTS

### SCHEDULE 1: SHARE CAPITAL

	31.03.2006 Rs.'000	31.03.2005 Rs.'000
<b>Authorised</b>		
185,000,000 (Previous year 185,000,000) equity shares of Rs.10 each	<u>1,850,000</u>	<u>1,850,000</u>
<b>Issued and Subscribed</b>		
131,827,284 (Previous year 131,827,284) equity shares of Rs.10 each	<u>1,318,273</u>	<u>1,318,273</u>
<b>Paid -up</b>		
131,827,284 (Previous year 131,827,284) equity shares of Rs.10 each, allotted as fully paid up	1,318,273	1,318,273
Less : Allotment money in arrears in respect of 6,468 (Previous year 7,098) equity shares	<u>16</u>	<u>35</u>
	<u>1,318,257</u>	<u>1,318,238</u>
	<u>1,318,257</u>	<u>1,318,238</u>

#### Notes :

1. Of the above :

- 325,200 equity shares of Rs.10 each issued as fully paid-up pursuant to contracts for consideration other than cash.
- 22,927,269 equity shares of Rs. 10 each allotted as bonus shares by way of capitalisation of share premium.
- 35,180,304 equity shares of Rs. 10 each allotted against 4,397,538 Global Depository Receipts, each comprising of 8 underlying equity shares of Rs.10 each.

2. Also refer Note 7 on Schedule 3.

### SCHEDULE 2: RESERVES AND SURPLUS

<b>Capital Reserve</b>				
Balance as per last account		629		629
<b>Revaluation Reserve</b>				
Balance as per last account	1,417,950		1,544,574	
Less: Adjustment on account of depreciation on revalued amount of assets	134,036		136,071	
Less/(Add) : Adjustment on account of assets sold/discarded	3,982	1,279,932	(9,447)	1,417,950
<b>Securities Premium Account</b>				
Balance as per last account	1,668,807		1,678,733	
Add: Premium received during the year on partly paid shares	59		40	
Less: Share and GDR issue expenses adjusted	6,545		7,009	
Less: Premium on redemption of debentures adjusted	-		2,957	
	<u>1,662,321</u>		<u>1,668,807</u>	
<b>Debenture Redemption Reserve</b>				
Balance as per last account	144,373		192,498	
Less: Transferred to profit and loss account on account of redemption of debentures	48,125		48,125	
	<u>96,248</u>		<u>144,373</u>	
<b>General Reserve</b>				
Balance as per last account	496,000		425,000	
Add : Transferred during the year	52,000	548,000	71,000	496,000
<b>Profit and Loss Account</b>				
	<u>1,769,603</u>		<u>1,706,087</u>	
	<u>5,356,733</u>		<u>5,433,846</u>	

**SCHEDULE 3: SECURED LOANS**

	<b>31.03.2006</b> Rs.'000	31.03.2005 Rs.'000
<b>Debentures</b> 38,50,000 (Previous year 5,775,000) - 16.5% Redeemable Non-Convertible Debentures of Rs.100 each	<b>385,000</b>	577,500
<b>Loans and advances from banks</b> Cash / export credit facilities Term loans	<b>125</b>	295,404
- Rupee loans	<b>765,818</b>	551,687
- Foreign currency loans	<b>2,751,577</b>	2,396,983
<b>Other loans &amp; advances</b> - Rupee loans - Foreign currency loans	<b>500,000</b> <b>1,206,855</b>	500,000 1,238,485
	<b>5,609,375</b>	5,560,059

**Notes:**

- Debentures of Rs.385,000 thousand are secured by equitable mortgage on all immovable properties (excluding the land in the state of Gujarat) by way of deposit of title deeds and hypothecation of movable assets of the Company (save and except book debts and assets exclusively hypothecated to Banks and Bodies Corporate) including movable machinery, machinery spares, tools & accessories, both present and future, ranking pari-passu with the charges created in favour of Banks and Financial Institutions for securing Rupee and Foreign Currency Term Loans, subject to prior charges created and/ or to be created in favour of the Company's Bankers on specified movables for securing borrowings for working capital requirements. These debentures are privately placed with IFCI Ltd. and are redeemable at a premium of 5%. According to the redemption schedule fixed by IFCI Ltd., Rs. 715,000 thousand have been paid as per equal half yearly instalments commencing from 13.01.2002 and balance Rs. 385,000 thousand are payable in remaining four instalments of Rs. 96,250 thousand each. The premium of 5% on full amount of Debentures is payable on 13.01.2008 together with the instalment of redemption payable as at that date.
- Cash / export credit facilities from banks amounting to Rs.125 thousand are secured by way of hypothecation of stocks of raw materials, work-in-progress, finished goods, stores & spares and book debts of the Company, both present and future. These loans are further secured by second charge on all the immovable properties of the Company.
- Of the Rupee term loans from banks aggregating to Rs.765,818 thousand, loans to the extent of Rs.375,000 thousand are secured by way of residual first charge on all immovable properties (excluding the land in the state of Gujarat) and hypothecation of movable assets of the Company (save and except assets specifically charged to banks and bodies corporate) including movable machinery, machinery spares, tools & accessories, both present and future, loan to the extent of Rs. 390,314 thousand is secured by equitable mortgage on all the immovable properties (excluding the land in the state of Gujarat) by way of deposit of title deeds and hypothecation of movable assets of the Company (save & except book debts and assets exclusively hypothecated to Banks and Bodies Corporate) including movable machinery, machinery spares, tools & accessories, both present and future, ranking pari-passu with the charges created/to be created in favour of Banks & Financial Institution for securing Rupee & Foreign Currency Term loans and balance loans aggregating to Rs.504 thousand representing car finance loans from banks are secured by way of hypothecation of specific vehicles acquired under the arrangements.
- Foreign currency term loans from banks to the extent of Rs.1,627,238 thousand are secured by equitable mortgage on all the immovable properties (excluding the land in the state of Gujarat) by way of deposit of title deeds and hypothecation of movable assets of the Company (save & except book debts and assets exclusively hypothecated to Banks and Bodies Corporate) including movable machinery, machinery spares, tools & accessories, both present and future, ranking pari-passu with the charges created in favour of IFCI Ltd. as trustees for Debenture Holders, subject to prior charges created and / or to be created in favour of the Company's Bankers on specified movables for securing borrowings for working capital requirements.
  - Foreign currency term loan of Rs.1,124,339 thousand availed from IKB Deutsche Industriebank is secured by first pari-passu specific charge on the equipment supplies by Zimmer AG, Barmag AG & Autefa for the Company's polyester expansion project (CP 4 & 5) and a first charge on the land situated at Mehsana, Gujarat.

5. Rupee term loan from others of Rs. 500,000 thousand is secured by equitable mortgage on all the immovable properties (excluding the land in the state of Gujarat) by way of deposit of title deeds and hypothecation of movable assets of the Company (save & except book debts and assets exclusively hypothecated to Banks and Bodies Corporate) including movable machinery, machinery spares, tools & accessories, both present and future, ranking pari-passu with the charges created/to be created in favour of Banks & Financial Institution for securing Rupee & Foreign Currency Term Loans.
6. a) Of the other loans and advances, Foreign currency term loans aggregating to Rs.1,006,132 thousand are secured by equitable mortgage on all the immovable properties (excluding the land in the state of Gujarat) by way of deposit of title deeds and hypothecation of movable assets of the Company (save & except book debts and assets exclusively hypothecated to Banks and Bodies Corporate) including movable machinery, machinery spares, tools & accessories, both present and future, ranking pari-passu with the charges created in favour of IFCI Ltd. as trustees for Debenture Holders, subject to prior charges created and / or to be created in favour of the Company's Bankers on specified movables for securing borrowings for working capital requirements.
6. b) Foreign currency term loan to the extent of Rs.200,723 thousand availed from DEG Deutsche Investitions-und Entwicklungsgesellschaft is secured by first ranking floating charge on the equipments purchased under the loan agreement.
7. Some of the lenders who have provided term loans to the Company have the option, in the event of default in the payment of the principal amount of loan or interest due thereon, to convert the loan amount taken by the Company or the outstanding amount due to such Institutions, whichever is lower, into Equity Shares of the Company at par.
8. Debentures, loans and advances from banks and other loan and advances aggregating to Rs.1,792,413 thousand (Previous year Rs.1,729,165 thousand) are repayable within one year.

#### SCHEDULE 4: UNSECURED LOANS

	31.03.2006 Rs.'000	31.03.2005 Rs.'000
Short Term Loans and advances from banks		
- Buyers' Line of Credit for Imports	-	127,993
Other loans and advances		
- Foreign currency loans from others	-	77,267
	-	205,260

**Note :**

Loans aggregating to Rs.Nil (Previous year Rs.205,260 thousand) are repayable within one year.

#### SCHEDULE 5 : DEFERRED TAX LIABILITY (NET) :

<b>Deferred Tax Liabilities</b>		
Differences in amortisation of intangible assets as per tax books and financial books under Income Tax Act	912	-
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	2,440,291	2,648,109
<b>Gross Deferred Tax Liabilities</b>	<b>2,441,203</b>	2,648,109
<b>Deferred Tax Assets</b>		
Brought forward unabsorbed depreciation	620,465	958,750
Effect of expenditure debited to profit and loss account in the current year but allowed for tax purposes in following years	27,830	21,553
Provision for doubtful debts and advances	23,146	42,723
Provision for diminution in the value of current investments	-	1,554
<b>Gross Deferred Tax Assets</b>	<b>671,441</b>	1,024,580
<b>Net Deferred Tax Liability</b>	<b>1,769,762</b>	1,623,529

## SCHEDULE 6: FIXED ASSETS

Rs'000

	TANGIBLE ASSETS						INTANGIBLE ASSETS	Total	Previous Year
	Land-Freehold	Land-Leasehold	Road & Building	Plant & Machinery	Furniture & Fittings	Vehicles	Software		
<b>Gross Block</b>									
At 01.04.2005	1,585	91,406	1,219,519	19,147,145	244,233	33,425	-	20,737,313	20,578,224
<b>Additions</b>	-	-	123	12,532	24,337	3,565	12,440	52,997	205,079
<b>Deductions/Adjustments</b>	-	-	32,370	1,176	19,974	2,705	-	56,225	45,990
<b>At 31.03.2006</b>	<b>1,585</b>	<b>91,406</b>	<b>1,187,272</b>	<b>19,158,501</b>	<b>248,596</b>	<b>34,285</b>	<b>12,440</b>	<b>20,734,085</b>	20,737,313
<b>Depreciation / Amortisation</b>									
At 01.04.2005	-	7,621	232,220	8,214,997	149,611	8,681	-	8,613,130	7,524,539
<b>For the year</b>	-	1,002	24,647	1,067,281	17,830	3,166	1,022	1,114,948	1,113,968
<b>Deletions / Adjustments</b>	-	-	4,524	137	13,927	1,345	-	19,933	25,377
<b>At 31.03.2006</b>	-	<b>8,623</b>	<b>252,343</b>	<b>9,282,141</b>	<b>153,514</b>	<b>10,502</b>	<b>1,022</b>	<b>9,708,145</b>	8,613,130
<b>Net Block :</b>									
<b>At 31.03.2006</b>	<b>1,585</b>	<b>82,783</b>	<b>934,929</b>	<b>9,876,360</b>	<b>95,082</b>	<b>23,783</b>	<b>11,418</b>	<b>11,025,940</b>	12,124,183
At 31.03.2005	1,585	83,785	987,299	10,932,148	94,622	24,744	-	12,124,183	-
Capital Work-In-Progress	-	-	517,779	2,304,226	556	-	-	2,822,561	116,743
Capital Advances	-	-	-	648,204	-	-	-	648,204	460,428
<b>At 31.03.2006</b>	-	-	<b>517,779</b>	<b>2,952,430</b>	<b>556</b>	-	-	<b>3,470,765</b>	577,171
At 31.03.2005	-	-	113,131	463,920	120	-	-	577,171	-

### Notes :

- Buildings include Rs.7,251 thousand (Previous year Rs.7,251 thousand) on account of leasehold improvements.
- Additions to Plant & Machinery during the year include Rs.444 thousand (Previous year Rs.136,068 thousand) and Capital Work-in-Progress include Rs.2,019 thousand (Previous year Rs.Nil) on account of foreign exchange fluctuations.
- Buildings include Rs.101 thousand (Previous year Rs.101 thousand) being cost of shares in a Co-operative Housing Society.
- Depreciation of Rs.287 thousand (Previous year Rs.132 thousand) has been transferred to Expenditure During Construction Period.
- Fixed Assets comprising of Plant & Machinery, Buildings and Land were revalued by a reputed firm of valuers as on 31st March, 2000, resulting in increase in their net values by Rs.1,790,908 thousand, Rs.175,900 thousand and Rs. 65,215 thousand respectively, which was credited to Revaluation Reserve. The valuer revalued plant & machinery on going concern basis at prevailing market price of the machineries as reduced by valuation factor based on economic life residual life and value of the respective assets, wherever prevailing market price was not available, valuer used RBI indices for extrapolation. Buildings were valued at depreciated replacement value of structures. Land was valued at fair market price which a willing buyer will pay to a willing seller for similar piece of land.
- Capital Work-in-Progress includes capital goods in transit Rs.690,319 thousand (Previous year Rs. Nil)

## Schedule 7 : Expenditure During Construction Period

(Pending Capitalisation/Allocation)

	31.03.2006 Rs. '000	31.03.2005 Rs. '000
<b>Personnel Expenses</b>		
Salaries, wages and bonus	13,798	6,775
Contribution to provident fund	698	397
Contribution to other funds	133	83
Workmen and staff welfare expenses	876	317
	<u>15,505</u>	<u>7,572</u>
<b>Operating and Other Expenses</b>		
Consumption of stores and spares	3,241	640
Power and fuel	1,971	799
Site development expenses	872	1,784
Rent (Including hire charges )	134	514
Rates and taxes	1,766	1,931
Insurance (net)	10,499	354
Cost of outsourcing activities	3,050	-
Advisory fees	3,768	29,480
Fees for export credit insurance	-	226,487
Project management fees	75,272	44,415
Foreign exchange fluctuation (net)	104,912	19,619
Miscellaneous expenses	13,458	18,039
	<u>218,943</u>	<u>344,062</u>
<b>Financial Expenses</b>		
- On debentures	25	14
- On fixed loans	60,995	7,734
- Others	2,391	6
Bank charges	17,180	7,176
	<u>80,591</u>	<u>14,930</u>
<b>Depreciation</b>	287	132
<b>Sub-Total (a)</b>	<u>315,326</u>	<u>366,696</u>
Less :		
Interest income from bank deposits (Gross, Tax Deducted at source Rs.7 thousand, Previous year Rs.739 thousand)	34	3,989
Profit on sale of current non-trade investments	-	187
Miscellaneous income	80	40
<b>Sub-Total (b)</b>	<u>114</u>	<u>4,216</u>
<b>Total (a-b)</b>	<u>315,212</u>	<u>362,480</u>
Expenses brought forward from previous year	475,448	112,968
<b>Balance carried forward</b>	<u>790,660</u>	<u>475,448</u>

**SCHEDULE 8 : INVESTMENTS**

	No. of Shares / Units Transferred in Company's Name	31.03.2006		31.03.2005	
		No.	Rs.'000	No.	Rs.'000
<b>(I) LONG TERM</b>					
<b>A) Trade, Unquoted</b>					
<b>Fully Paid-up Equity Shares of Rs.10 each</b>					
Indo Rama Petrochemicals Ltd.	10,000,000	10,000,000	100,000	20,010	200
<b>Share Application money pending allotment</b>					
Indo Rama Petrochemicals Ltd.	-	-	-		92,381
<b>TOTAL : (A)</b>			<b>100,000</b>		<b>92,581</b>
<b>B) Other than trade, Unquoted</b>					
<b>Fully Paid-up Equity Shares of Rs.10 each</b>					
Ritspin Synthetics Limited	1,500,000	1,500,000	15,000	1,500,000	15,000
<b>Fully Paid-up Equity Shares of 1 Baht each</b>					
Indorama Polymers Public Company Ltd., Thailand	-	-	-	90,480,000	140,990
<b>TOTAL : (B)</b>			<b>15,000</b>		<b>155,990</b>
<b>TOTAL : I (A+B)</b>			<b>115,000</b>		<b>248,571</b>
<b>(II) CURRENT</b>					
<b>A) In Government Securities, Unquoted</b>					
National Savings Certificates VIth Issue (Pledged with Sales Tax Authorities)			<b>4</b>		<b>4</b>
<b>TOTAL : (A)</b>			<b>4</b>		<b>4</b>
<b>B) Other than trade, Unquoted</b>					
<b>Fully Paid-up Preference Shares of Rs 10 each</b>					
0.01% Cumulative Redeemable Preference Shares					
Ispat Industries Ltd.	892,000	892,000	8,920		-
<b>TOTAL : (B)</b>			<b>8,920</b>		<b>-</b>
<b>C) Other than trade, Quoted</b>					
<b>(a) Fully Paid-up Equity Shares of Rs.10 each</b>					
Alok Industries Ltd.	395,000	395,000	25,285	-	-
Arvind Mills Ltd.	-	-	-	115,200	14,483
Balasure Alloys Ltd.	-	-	-	72,611	1,661
Bongaigaon Refinery & Petrochemicals Ltd.	-	-	-	497,611	44,940
ElH Ltd.	42,060	42,060	21,233	-	-
Gujarat Fluorochemicals Ltd.	-	-	-	84,599	16,745
India Glycols Ltd.	-	-	-	100,167	13,454
Inox Leisure Ltd.	27,150	27,150	3,258	-	-
Ispat Industries Ltd.	1,338,000	1,338,000	41,850	-	-
Oil & Natural Gas Corporation Ltd.	-	-	-	3,850	2,976
Optel Telecommunications Ltd.	52,501	52,501	3,675	52,501	3,675
Punjab National Bank	-	-	-	37,721	14,711

## SCHEDULE 8: CONTD..

	No. of Shares / Units Transferred in Company's Name	31.03.2006		31.03.2005	
		No.	Rs.'000	No.	Rs.'000
Rajasthan Spg. & Wvg. Mills Ltd.	499,515	499,515	56,114	162,409	14,966
Sanghi Polyesters Ltd.	708,400	708,400	23,439	708,400	23,439
State Bank of India	56,500	56,500	52,055	-	-
SRF Ltd.	-	-	-	524,129	42,590
Tata Steel Ltd.	-	-	-	58,700	20,096
<b>TOTAL : (a)</b>			<b>226,909</b>		<b>213,736</b>
<b>(b) Fully Paid-up Equity Shares of Rs. 5 each</b>					
Balasure Alloys Ltd.	72,601	72,601	1,660	-	-
<b>TOTAL : (b)</b>			<b>1,660</b>		<b>-</b>
<b>(c) Fully Paid-up Equity Shares of Rs. 2 each</b>					
Gujarat Fluorochemicals Ltd.	28,241	28,241	11,310	-	-
<b>TOTAL : (c)</b>			<b>11,310</b>		<b>-</b>
<b>(d) Fully Paid-up Equity Shares of 1 Baht each</b>					
Indorama Polymers Public Company Ltd., Thailand	90,480,000	90,480,000	140,990	-	-
<b>TOTAL : (d)</b>			<b>140,990</b>		<b>-</b>
<b>Cost of Quoted Investment in Equity Shares</b>			<b>380,869</b>		<b>213,736</b>
<b>Market Value of Quoted Investment in Equity Shares</b>			<b>831,745</b>		<b>214,132</b>
<b>(e) Unit of Mutual Fund of Rs. 10 each</b>					
Franklin India Prima Fund - Dividend Reinvestment	-	-	-	1,815,824	70,000
HDFC Capital Builder Fund - Dividend Plan	-	-	-	3,420,356	71,603
HDFC Premier Multi-cap Fund-Dividend Reinvestment	-	-	-	5,000,000	50,000
Principal Dividend Yield Fund-Dividend Reinvestment	-	-	-	1,625,569	16,256
UTI Master Gain	-	-	-	100	1
<b>TOTAL : (e)</b>			<b>-</b>		<b>207,860</b>
<b>Cost of Investment in Mutual Funds</b>			<b>-</b>		<b>207,860</b>
<b>Net Assets Value of Investment in Mutual Funds</b>			<b>-</b>		<b>203,242</b>
<b>TOTAL : (C) (a+b+c+d+e)</b>			<b>380,869</b>		<b>421,596</b>
<b>TOTAL : II (A+B+C)</b>			<b>389,793</b>		<b>421,600</b>
<b>TOTAL : (I+II)</b>			<b>504,793</b>		<b>670,171</b>
Less: Provision for diminution in the value of long term investments			<b>15,000</b>		<b>15,000</b>
Less: Provision for diminution in the value of current investments			<b>-</b>		<b>4,618</b>
			<b>489,793</b>		<b>650,553</b>

### SCHEDULE 9: INVENTORIES

	31.03.2006 Rs.'000	31.03.2005 Rs.'000
Raw materials (including stock in transit Rs.323,670 thousand, Previous year Rs.197,675 thousand)	607,253	465,538
Stores and spares (including stock in transit Rs.424 thousand, Previous year Rs.11,087 thousand)	184,716	163,303
Work-in-progress	125,424	128,615
Finished goods	351,845	2,647,497
Goods held for resale	1,583	3,927
Waste	1,715	3,114
	<b>1,272,536</b>	<b>3,411,994</b>

### SCHEDULE 10: SUNDRY DEBTORS

<b>Debts outstanding for a period exceeding six months</b>		
Unsecured, considered good	41,474	68,531
Considered doubtful	67,402	125,533
<b>Other debts</b>		
Unsecured, considered good	637,843	860,043
	<b>746,719</b>	<b>1,054,107</b>
Less : Provision for doubtful debts	67,402	125,533
	<b>679,317</b>	<b>928,574</b>

### SCHEDULE 11: CASH AND BANK BALANCES

Cash on hand	58,104	167,202
Balances with scheduled banks:		
On current accounts	1,121	730
On cash credit accounts	37,019	691
On deposit accounts	-	30,000
On unpaid dividend accounts	5,323	4,298
	<b>101,567</b>	<b>202,921</b>
<b>Included in cash on hand are :</b>		
- Collections in transit	57,269	127,373
- Cheques on hand	-	39,498

### SCHEDULE 12: OTHER CURRENT ASSETS

Interest accrued on deposits and others	363	2,511
Claims and other receivables	260,350	142,095
	<b>260,713</b>	<b>144,606</b>

### SCHEDULE 13: LOANS AND ADVANCES

	31.03.2006 Rs.'000	31.03.2005 Rs.'000
Unsecured, considered good		
Advances recoverable in cash or in kind or for value to be received	200,674	143,997
Inter-corporate deposits	-	64,683
Balance with customs, excise, etc.	310,797	53,175
Payment of income tax/ tax deducted at source	331,647	282,707
MAT credit entitlement	40,500	-
Deposits - others	20,216	20,173
Loans to employees	1,074	783
Unsecured, considered doubtful		
Advances recoverable in cash or in kind or for value to be received	1,362	1,390
	<b>906,270</b>	<b>566,908</b>
Less : Provision for doubtful advances	1,362	1,390
	<b>904,908</b>	<b>565,518</b>
Included in loans and advances are :		
Due from an officer of the Company	9	-
Maximum amount outstanding during the year	52	16
Due from a director of the Company	-	-
Maximum amount outstanding during the year	-	77
Due from ex-whole-time director of the Company	-	-
Maximum amount outstanding during the year	-	74

### SCHEDULE 14: LIABILITIES

Acceptances	1,915,407	1,698,081
Sundry creditors	2,069,114	2,338,014
Premium on redemption of debentures	55,000	55,000
Advances from customers	34,175	19,937
Deposits from dealers and others	5,236	5,328
Unpaid dividend	5,323	4,298
Interest accrued but not due on loans	53,125	68,248
Unaccrued income	-	15,455
Other liabilities	21,598	20,957
	<b>4,158,978</b>	<b>4,225,318</b>
Dues to small scale industrial undertakings included in Sundry creditors	28,203	18,254
Dues to other than small scale industrial undertakings included in Sundry creditors	2,040,911	2,319,760

The names of small scale industrial undertakings (to the extent of information available with the management) to whom amounts are outstanding for more than 30 days are as under :

Bindal Packagings; Gasket Industries; Ideal Wrappers; Kanta Enterprises; Najmi Engg.Works; Precision Tooling Engineers; Reebha Enterprises; Raj Filters; Sujay Enterprise; Shaiva Press; Velmake Seals.

### SCHEDULE 15: PROVISIONS

Taxation	261,894	221,394
Gratuity	43,333	31,684
Leave encashment	26,919	17,237
Proposed final dividend	395,482	395,482
Tax on dividend	55,466	55,466
	<b>783,094</b>	<b>721,263</b>

### SCHEDULE 16: MISCELLANEOUS EXPENDITURE

(to the extent not written off or adjusted)

	31.03.2006 Rs.'000	31.03.2005 Rs.'000
<b>Share / Debenture Issue Expenses</b>		
Balance as per last account	1,364	3,193
Less : Written off	1,364	1,829
	-	1,364
<b>GDR Issue Expenses</b>		
Balance as per last account	5,181	10,361
Less : Written off	5,181	5,180
	-	5,181
<b>Deferred Revenue Expenditure</b>		
Balance as per last account	-	18,838
Less : Written off	-	18,838
	-	-
	-	6,545

### SCHEDULE 17: OTHER INCOME

Interest others (Gross, Tax Deducted at Source Rs.6,834 thousand, Previous year Rs. 5,286 thousand)	41,003	47,897
Rent income (Gross, Tax Deducted at Source Rs. 2431 thousand, Previous year Rs 566 thousand)	13,098	4,685
Dividend income from long term investments (Gross, Tax Deducted at Source Rs.Nil, Previous year Rs 546 thousand)	-	3,642
Dividend income from current investments (Gross, Tax Deducted at Source Rs.1,662 thousand, Previous year Rs. Nil)	22,796	26,815
Profit on sale of long term trade investments (net)	-	3,499
Profit on sale of current non-trade investments (net)	415,382	59,980
Write back of provision for diminution in the value of current investments	4,618	34,263
Write back of provision for diminution in the value of long term investments	-	200
Profit on settlement of derivatives (net)	7,175	-
Sale of scrap	28,259	31,194
Unspent liabilities written back	37,592	19,290
Foreign exchange fluctuation (net)	-	37,788
Miscellaneous income	57,700	27,027
	627,623	296,280

### SCHEDULE 18: PERSONNEL EXPENSES

Salaries, wages and bonus	308,951	281,460
Contribution to provident fund	11,943	10,872
Contribution to other funds	9,506	10,047
Workmen and staff welfare expenses	26,488	25,493
	356,888	327,872

## SCHEDULE 19: OPERATING AND OTHER EXPENSES

	31.03.2006 Rs.'000	31.03.2005 Rs.'000
Consumption of stores and spares	265,200	261,062
Packing materials consumed	307,165	366,993
Power and fuel	1,022,797	788,635
Freight and forwarding charges	557,857	479,888
Less : Recovery	<u>343,619</u>	<u>259,865</u>
Rent (Including lease rent and hire charges)	27,464	29,916
Rates and taxes	20,603	30,240
Insurance (net)	35,136	38,719
Repairs and Maintenance		
Plant and machinery	23,448	23,800
Buildings	8,386	7,931
Others	13,970	13,172
Cost of outsourcing activities	85,018	72,547
Brokerage and commission on sales (other than to sole selling agent)	43,738	35,350
Discounts, rebates and claims	45,795	66,823
Commission to Managing Director	2,936	10,092
Directors' sitting fee	1,180	1,140
Auditor's remuneration :		
- Audit fee	3,500	3,500
- Tax audit fee	875	875
- Limited review of financial statements	2,100	2,156
- Certification etc	25	38
- Out of pocket expenses	190	215
Foreign exchange fluctuation (net)	48,814	-
Donations and contributions (other than to political parties)	24,935	1,741
Provision for doubtful debts and advances (net)	30,601	12,047
Loss on fixed assets sold /discarded (net)	2,687	25,133
Loss on sale of current investments	-	211,250
Less: Reversal of provision for diminution in the value of current investments	-	<u>94,473</u>
Loss on settlement of derivatives (net)	-	9,135
Bad debts and other balances written off (net)	98,712	1,839
Less : Provision made in earlier years, now reversed	<u>88,760</u>	<u>-</u>
Deferred revenue expenditure written off	-	18,838
Miscellaneous expenses	157,115	174,525
	<b>2,397,868</b>	<b>2,333,262</b>

## SCHEDULE 20: DECREASE IN INVENTORIES

	31.03.2006 Rs.'000	31.03.2005 Rs.'000
<b>Inventories as at March 31, 2006</b>		
- Finished goods	351,845	2,647,497
- Goods held for resale	1,583	3,927
- Work-in-progress	125,424	128,615
- Waste	1,715	3,114
	<b>480,567</b>	<b>2,783,153</b>
<b>Inventories as at March 31, 2005</b>		
-Finished goods	2,647,497	3,247,991
-Goods held for resale	3,927	-
-Work-in-progress	128,615	97,792
-Waste	3,114	540
	<b>2,783,153</b>	<b>3,346,323</b>
<b>Difference of Excise duty on stocks of Finished goods and waste</b>	<b>384,941</b>	<b>287,304</b>
	<b>1,917,645</b>	<b>275,866</b>

## SCHEDULE 21: FINANCIAL EXPENSES

Interest		
- On debentures	79,612	110,474
- On Fixed loans	78,671	136,468
- Others	101,130	101,593
Bank charges	35,519	40,234
	<b>294,932</b>	<b>388,769</b>

## SCHEDULE 22 : EARNINGS PER SHARE (EPS)

Net profit as per profit and loss account	518,339	702,079
Number of equity shares of Rs.10 each at the beginning of the year	131,827,284	131,827,284
Total Number of equity shares of Rs.10 each at the end of the year	131,827,284	131,827,284
Weighted average number of equity shares of Rs.10 each at the end of the year for calculation of basic and diluted EPS	131,827,284	131,827,284
Basic and Diluted Earnings Per Share (in Rupees)	3.93	5.33

## SCHEDULE 23 : NOTES TO ACCOUNTS

### 1. Nature of Operations

Indo Rama Synthetics (India) Limited (hereinafter referred to as 'the Company') is a manufacturer of Polyester Filament Yarn (PFY), Polyester Staple Fibre (PSF), Chips and Draw Texturised Yarn (DTY).

### 2. Statement of Significant Accounting Policies

#### (a) Basis of Preparation

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. Following items are accounted for on acceptance basis since the exact quantum in respect thereof cannot be ascertained with reasonable accuracy:

- i) Income on account of claims lodged with insurance company but not settled, and
- ii) Interest receivable from customers on delayed payments.

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

#### (b) Fixed Assets

Fixed assets are stated at cost (or revalued amounts, as the case may be), less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Financing costs relating to acquisition of fixed assets, which takes substantial period of time to get ready for its intended use, are also included to the extent they relate to the period till such assets are ready to be put to use.

#### (c) Intangibles

Costs incurred on acquisition of intangible assets are capitalized and amortized on a straight-line basis over their technically assessed useful lives, as mentioned below:

Intangible Assets	Estimated Useful Life (Years)
I T Software	3

#### (d) Depreciation

- i) Premium on Leasehold Land and cost of Leasehold Improvements are amortised over the period of Lease or their useful lives whichever is lower.
- ii) Depreciation on other fixed assets is provided on Straight-line Method at the rates prescribed in Schedule XIV to the Companies Act, 1956 or the rates determined on the basis of the useful lives of the respective assets, whichever is higher.
- iii) Depreciation on the amount of additions made to fixed assets on account of foreign exchange fluctuations is provided for over the remaining useful lives of the respective assets.
- iv) Depreciation on the insurance spares / standby equipments is provided over the remaining useful lives of the respective mother assets.
- v) In respect of the revalued assets, the difference between the depreciation calculated on the revalued amount and that calculated on the original cost is recouped from the Revaluation Reserve Account.

#### (e) Impairment

- i) The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.
- ii) After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

#### (f) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are

## Schedule 23 : Contd...

carried at the lower of cost and fair value computed category wise based on the type of investment. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of such investments.

### (g) **Equity Index Futures and Equity Stock Futures**

Equity Index Futures and Equity Stock Futures are accounted for on Mark-to-Market-Margin basis, which is determined index-wise / scrip-wise and necessary provision for the anticipated loss, if any, in respect of the open futures contracts is made. However, any unrealized profits on open future contracts are not recognized.

### (h) **Inventories**

Inventories are valued as follows:

Raw materials and Stores and Spares	At lower of cost and net realisable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be consumed are expected to be sold at or above cost. Cost is determined on a moving weighted average basis. Cost of raw materials and stores and spares lying in bonded warehouse includes custom duty accounted for on accrual basis.
Work-in-progress and Finished goods	At lower of cost and net realisable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of raw materials for this purpose is ascertained on First In First Out Basis. Cost of finished goods includes excise duty.
Goods held for resale	At lower of cost and net realisable value.
Waste	At net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and to make the sale.

Provision for obsolescence in inventories is made, wherever required.

### (i) **Export Benefits**

Export benefits under Duty Exemption Advance Licence Scheme, Duty Exemption Pass Book Scheme and Duty Credit Certificate under Target Plus Scheme are accounted for in the year of export of goods.

### (ii) **Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

#### *Sale of Goods*

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

#### *Interest*

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable, except to the extent stated in note no.2 (a) above.

#### *Dividends*

Revenue is recognised when the shareholders' right to receive payment is established by the balance sheet date.

### (k) **Leases**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term are classified as Operating Leases. Operating Lease payments are recognised as an expense in the Profit & Loss account.

### (l) **Foreign currency translation**

#### *Foreign currency transactions*

#### (i) **Initial Recognition**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

## Schedule 23 : Contd...

### (ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency, are reported using the exchange rates that existed when the values were determined.

### (iii) Exchange Differences

Exchange differences arising on settlement of monetary items or on restatement of monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise, except exchange differences on transactions relating to fixed assets acquired from a country outside India, which are adjusted to the carrying amount of fixed assets.

### (iv) Forward Exchange Contracts

In respect of forward exchange contracts entered into by the Company, the difference between the contracted rate and the rate at the date of transaction is recognized as gain or loss over the period of contract except for difference in respect of liabilities incurred for acquiring fixed assets from a country outside India, in which case such difference is adjusted in the carrying amount of the respective fixed assets. Exchange differences on such contracts are recognized in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contracts is recognised as income or as expense for the year, except profit or loss on transactions relating to acquisition of fixed assets from a country outside India, which is adjusted to the carrying amount of fixed assets.

### (m) Retirement and other employee benefits

- i) Retirement benefits in the form of Provident Fund are charged to the Profit & Loss Account of the year when the contributions to the respective funds are due.
- ii) Gratuity liability under the Payment of Gratuity Act and liability for leave encashment is accrued and provided for on the basis of an actuarial valuation made at the end of each financial year.

### (n) Income taxes

Tax expense comprises of current, deferred and fringe benefit tax. Current income-tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

In the year in which the Minimum Alternate Tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT credit assets. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit assets to the extent there is no longer a convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

### (o) Expenditure on new projects and substantial expansion

Expenditure directly relating to construction activity including trial run production expenses (net of income, if any) is capitalised. Indirect expenditure incurred during construction period is capitalised as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which is not related to the construction activity nor is incidental thereto, is charged to the Profit & Loss Account. Income earned during construction period is deducted from the total of the indirect expenditure.

All direct capital expenditure on expansion is capitalised. As regards indirect expenditure on expansion, only that portion is capitalised which represents the marginal increase in such expenditure as a result of capital expansion.

## Schedule 23 : Contd...

### (p) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

### (q) Segment Reporting Policies

*Identification of segments :*

The Company's operating businesses are generally organised and managed separately according to the nature of products and services provided. The analysis of geographical segments is based on the geographical location of the customers wherever required.

### (r) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity share holders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

### (s) Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

### (t) Miscellaneous Expenditure (to the extent not written off or adjusted)

Share (Including Global Depository Receipts) / Debenture Issue Expenses are written off over a period of ten years from the year of the commencement of commercial production of the respective Projects and are adjusted against Securities Premium Account.

3. As per the Memorandum of Understanding entered into between the Company and Indo Rama Textiles Limited (IRTL), the Company has charged to IRTL a sum of Rs.95,718 thousand (Previous year Rs.83,690 thousand) for the use of common utilities & facilities such as power & utilities, administrative and marketing assistance etc. The same have been netted off from the expenses shown under the various heads of account in the Profit & Loss Account, except for indirect costs charged of Rs.3,659 thousand (Previous year 4,695 thousand ), which is included in Miscellaneous Income under Other Income in Schedule 17.
4. The Company is liable to pay Income-Tax for the year under the provisions of Section 115JB of the Income-Tax Act, 1961. Based on expert opinion, Deferred Tax as provided for in the books of account, pursuant to Accounting Standard 22 issued by the Institute of Chartered Accountants of India, has been considered as an admissible deduction from net profit for determining Book Profit under Section 115JB (2) of the Income-Tax Act,1961. However, while the same has been disallowed in tax assessment of one of the earlier years, against which the Company has preferred an appeal and is hopeful of getting the relief, in the subsequent tax assessment, it has been allowed by Income tax authorities.
5. The Company has recognized Rs.40,500 thousand as MAT Credit Asset which represents that portion of MAT liability, which can be recovered based on the provision of Section 115JAA of the Income Tax Act, 1961. The management based on the present trend of profitability and also the future profitability projections, opines that there would be sufficient taxable income in foreseeable future, which will enable the Company to utilize MAT credit assets.
6. Loss on account of foreign exchange difference on outstanding forward exchange contracts aggregating to Rs.9,798 thousand (Previous year, income Rs.5,686 thousand) and unaccrued income of Rs.12,570 thousand (Previous year Rs.9,678 thousand), is being carried forward to be recognised in the Profit and Loss Account and in the carrying amount of fixed assets respectively in the next year.
7. The Company has made an investment of Rs100,000 thousand (Previous year Rs.92,581 thousand) towards equity participation in Indo Rama Petrochemicals Limited (IRPL) which is setting up a power plant of a capacity of 30 MW. The proposed power plant would supply power to the Company at mutually agreeable tariff and terms.

## Schedule 23 : Contd...

8. The Company's investment includes 90,480,000 equity shares in Indo Rama Polymer Plc., Thailand of the face value of 1 Baht each. The shares of Indo Rama Polymers Plc. got listed during the year and are currently traded on the Stock Exchange of Thailand (SET) w.e.f. 2nd August, 2005. This investment has accordingly been classified as current investment.
9. Government of India introduced the Finance Bill on 28th February, 2006 wherein it reduced the rate of excise duty on Partially Oriented Yarns, Fully Drawn Yarns and Polyester Staple Fibre to 8% whereas the excise duty on raw materials consumed in the production of these goods continued to remain at 16%. This has resulted in an inverted duty structure for the Company, resulting in accumulation of Cenvat credit aggregating to Rs. 65,900 thousand. The Company has made several representations both directly and through various Chambers of Commerce to the Ministry of Finance for the correction of this anomaly. The management is reasonably confident that this anomaly shall get corrected and the accumulation in Cenvat account liquidated over a reasonable period of time. In the meantime, the management is also exploring alternative means for usage of this accumulated Cenvat Credit.

### 10. Segment Information :-

#### a) Business segment

The Company primarily deals in polyester business and in line with the global trend, has viewed Polyester fibre, Polyester Filament Yarn, Fully Drawn Yarn and Draw Texturised Yarn as one integrated business. Therefore, all the above products have been considered as part of a single business segment.

#### b) Geographical segments \*

The following is the distribution of the Company's consolidated revenue by geographical markets:

		(Rs.'000)
	2006	2005
<b>Domestic</b>	<b>16,218,205</b>	17,396,680
<b>Overseas</b>	<b>2,614,420</b>	1,478,991
<b>Total</b>	<b>18,832,625</b>	18,875,671

\* The Company has common assets for producing goods for Domestic Market and Overseas Markets. Hence, separate figures for assets / additions to assets cannot be furnished.

### 11. Related Party Disclosure

#### (i) Names of related parties:

Joint Venture	Starpet Inc. (agreement ended on 7th September, 2004)
Key Management Personnel	Mr. O P Lohia, Chairman cum Managing Director; Mr. Vishal Lohia, Whole-time Director (resigned as Whole-time Director on 20th October, 2004 and continuing as a Director)
Relatives of Key Management Personnel	Mr. Vishal Lohia (Son of Chairman cum Managing Director), Mrs. Ritika Kumar (Daughter of Chairman cum Managing Director)
Enterprises owned or significantly influenced by Key Management Personnel or their Relatives	Indo Rama Petrochemicals Ltd. (IRPL), Indo Rama Textiles Limited (IRTL) and PT Indorama Synthetics TBK (PTIS)

### Schedule 23 : Contd...

(ii) Remuneration paid to directors is disclosed under Note 15.1 of the notes to accounts.

	Joint Venture		Key Management Personnel		Relatives of Key Management Personnel		Enterprises owned or significantly influenced by key management personnel or their relatives		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
<b>Transactions with IRTL:</b>										
- Sale of Goods	-	-	-	-	-	-	1,474,607	1,695,524	1,474,607	1,695,524
- Sale of Stores & Spares	-	-	-	-	-	-	23,449	128,985	23,449	128,985
- Purchase of Goods	-	-	-	-	-	-	1,827,673	261,533	1,827,673	261,533
- Other Purchases	-	-	-	-	-	-	11,992	143,534	11,992	143,534
- Recovery against Common Services rendered	-	-	-	-	-	-	95,718	83,690	95,718	83,690
- Reimbursement towards other Expenses	-	-	-	-	-	-	504	732	504	732
- Stores & Spares given on loan	-	-	-	-	-	-	30,413	-	30,413	-
- Stores & Spares received	-	-	-	-	-	-	30,413	-	30,413	-
- Loan Repayments received	-	-	-	-	-	-	9,956	13,231	9,956	13,231
- Guarantee Redeemed	-	-	-	-	-	-	348,441	-	348,441	-
- Purchase of Fixed Assets	-	-	-	-	-	-	-	380	-	380
- Interest Received (net)	-	-	-	-	-	-	317	939	317	939
<b>Transactions with IRPL:</b>										
- Cenvat Credit	-	-	-	-	-	-	15,090	-	15,090	-
- Recovery against common services rendered	-	-	-	-	-	-	3,182	-	3,182	-
- Provision for bad and doubtful debts/advances written back	-	-	-	-	-	-	-	(819)	-	(819)
- Investment made	-	-	-	-	-	-	7,419	92,381	7,419	92,381
<b>Transactions with PTIS:</b>										
Sale of Stores & Spares	-	-	-	-	-	-	2,480	-	2,480	-
<b>Transaction with Relatives:</b>										
<b>Rent*</b>										
- Mr. Vishal Lohia	-	-	-	209	378	169	-	-	378	378
- Mrs. Ritika Kumar	-	-	-	-	213	213	-	-	213	213
<b>Transactions with Joint Venture:</b>										
Investment sold (Starpet Inc.)	-	140,990	-	-	-	-	-	-	-	140,990
<b>Balance outstanding as at the year end :</b>										
- Investments in IRPL	-	-	-	-	-	-	100,000	92,581	100,000	92,581
- Guarantee for Loan taken by IRTL	-	-	-	-	-	-	-	348,441	-	348,441
- Payables to Mr. O P Lohia	-	-	2,936	10,113	-	-	-	-	2,936	10,113
- Loans, Advances & Other Receivables (IRTL)	-	-	-	-	-	-	-	9,956	-	9,956
- Loans, Advances & Other Receivables (IRPL)	-	-	-	-	-	-	3,182	-	3,182	-
- Sundry Creditors (IRTL)	-	-	-	-	-	-	237,623	95,246	237,623	95,246

\*Net of amount allocated to IRTL as per Memorandum of Understanding between IRSL and IRTL.

## Schedule 23 : Contd...

### 12. Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) Rs.2,868,762 thousand (Previous Year Rs.4,239,902 thousand).

### 13. Contingent Liabilities not provided for

- a) Bills of Exchange discounted under Irrevocable Letters of Credit – Rs.757,954 thousand (Previous Year Rs. 393,800 thousand).
- b) Differential amount of customs duty (excluding countervailing duty amounting to Rs.433,609 thousand, which is cenvatable) in respect of machinery imported under EPCG Scheme and interest thereon Rs.1,145,036 thousand (Previous Year Rs.1,701,483 thousand). Based on previous sales performance and the budgeted sales plan, management is hopeful that it will be able to discharge the obligation by executing the required volume of exports in the specific period.
- c)
  - 1) Show cause notices received from Excise Authorities in respect of reversal of Cenvat Credit of National Calamity Contingent Duty (NCCD) paid on captive POY and demand of Additional Excise Duty on NCCD - Rs.52,224 thousand (Previous Year Rs.44,849 thousand).
  - 2) Demand made by Excise Authorities in respect of reversal of Cenvat credit on Viscose Staple Fibre and duty payment on finished goods transferred to IRTL at the time of demerger – Rs.Nil (Previous Year Rs. 10,616 thousand).
  - 3) Excise Duty demand on yarn/fibre waste, used packing material, scrap and sludge sale - Rs.62,784 thousand (Previous Year Rs.62,395 thousand).
  - 4) Excise Duty Demands on the difference between the price charged to domestic customers and physical exporters in respect of deemed export sales under advance license – Rs.6,461 thousand (Previous Year Rs.29,318 thousand).
  - 5) Show cause received from Excise Authorities in respect of down gradation of POY and special discounts passed to customers- Rs.33,090 thousand (Previous Year Rs.Nil).
  - 6) Custom duty demand in respect of import of PTA on the basis of valuation as per contemporaneous imports – Rs.17,574 thousand (Previous Year Rs.17,574 thousand).
  - 7) Other Excise Duty Demands – Rs.41,875 thousand (Previous Year Rs.25,530 thousand).
- d) Demand made by Sales Tax Authorities in respect of Scrap & others Rs.4,476 thousand (Previous Year Rs.Nil).
- e) Demand made by Income Tax Authorities for the Assessment Years 2000-01 to 2003-04 in respect of disallowances of various expenses - Rs.50,103 thousand (Previous Year Rs.86,059 thousand ).
- f) Various other claims made against the Company not acknowledged as debts – Rs.55,209 thousand (Previous Year Rs.44,613 thousand).
- g) Cases pending with Labour Courts (amount not ascertainable).

Based on the favourable decisions in similar cases/legal opinions taken by the Company/ discussions with the solicitors etc., the Company believes that it has good case in respect of all the items listed under (c ) to (g) above and hence no provision there against is considered necessary.

14. a) The company takes various types of foreign currency derivative instruments to hedge its foreign currency risk. The category-wise outstanding position of derivative instruments as on 31st March, 2006 is as under:

Particulars of Derivatives	Amount (Rs.'000)	Purpose
Forward Contracts outstanding as at Balance Sheet date	3,311,350	Hedging foreign currency risk

- b) The amount of foreign currency exposures that are not hedged by a derivative instrument or otherwise as on 31st March, 2006 is under:

Category	Amount (Rs.'000)
Import Payables	1,919,508
Foreign Currency Loan	2,281,082

## Schedule 23 : Contd...

### 15. Supplementary Statutory Information

	2006 (Rs.'000)	2005 (Rs.'000)
<b>15.1 Directors' Remuneration</b>		
Salaries	10,080	11,843
Commission	2,936	10,092
Contribution to Provident fund	864	1,036
Perquisites* (excluding the value of non-monetary perquisites)	700	1,547
	<b>14,580</b>	<b>24,518</b>

\* Does not include the value of leave encashment and gratuity since it is determined through actuarial valuation for all employees including directors.

### 15.2 Computation of net profit in accordance with Section 349 of the Companies Act, 1956 for calculation of commission payable to directors:

	2006 (Rs.'000)	2005 (Rs.'000)
<b>Profit before Taxation - as per Profit &amp; Loss Account</b>	<b>671,772</b>	1,064,904
Add: Managerial Remuneration	14,580	24,518
Directors' sitting fee	1,180	1,140
Provision for Doubtful Debts and Advance (net)	30,601	12,047
Loss on sale of Investments	-	211,250
Loss on settlement of Derivatives	-	9,135
Loss on sale of Fixed Assets	2,687	25,133
	<b>720,820</b>	1,348,127
Less: Write back of provision for diminution in the value of investments	4,618	128,936
Profit on sale of Investments	415,382	63,479
Profit on settlement of Derivatives	7,175	-
<b>Net Profit for the year in accordance with section 349 of the Companies Act, 1956</b>	<b>293,645</b>	1,155,712
Less : Brought forward loss	-	146,524
<b>Net Profit in accordance with section 349 of the Companies Act, 1956</b>	<b>293,645</b>	1,009,188
<b>Commission payable @ 1% of said Net Profit</b>	<b>2,936</b>	10,092

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### 15.3 Earnings in foreign currency

	2006 (Rs.'000)	2005 (Rs.'000)
Exports at F.O.B. Value	2,478,414	1,388,311
Others (net)	142,270	59,248
	<b>2,620,684</b>	<b>1,447,559</b>

### 15.4 Expenditure in foreign currency (on accrual basis) (including debited to expenditure during construction period)

Travelling	3,110	4,957
Claims	961	77
Commission	12,919	4,256
Interest (net)	200,357	163,729
Fees for Export Credit Insurance	-	226,487
Advisory Fees	3,391	27,764
Others	18,427	10,915
	<b>239,165</b>	<b>438,185</b>

## Schedule 23 : Contd...

### 15.5 Value of imports calculated on CIF basis

	2006 (Rs.'000)	2005 (Rs.'000)
Raw materials	4,066,700	3,635,339
Goods purchased for resale	-	56,187
Stores and spares	67,719	70,715
Capital goods	1,269,261	10,416
	<b>5,403,680</b>	<b>3,772,657</b>

### 15.6 Net dividend remitted in foreign exchange

	2006 (Rs.'000)	2005 (Rs.'000)
Period to which it relates :	<b>01.04.2004 to 31.03.2005</b>	01.04.2003 to 31.03.2004
- Number of non-resident shareholders	<b>3</b>	3
- Number of equity shares held on which dividend was due	<b>48,894,449</b>	49,527,329
- Amount remitted US\$ 3,006,786 & JPY 40,610,883 (Previous Year US\$ 1,900,673 and JPY 28,047,863) (Rs. in thousand)	<b>146,683</b>	99,055
Period to which it relates :	<b>01.04.2005 to 31.03.2006</b>	01.04.2004 to 31.03.2005
1 <sup>st</sup> Interim Dividend		
- Number of non-resident shareholders	-	3
- Number of equity shares held on which dividend was due	-	49,527,329
-Amount remitted Rs.Nil (Previous Year US\$ 959,429 and JPY 13,791,165) (Rs.in thousand)	-	49,527

### 16 Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956

#### 16.1 Details of Capacity

Class of Goods	Unit	Licensed Capacity		Installed Capacity	
		2006	2005	2006	2005
Draw Texturised Yarn	TPA	Delicensed vide notification		<b>32,025</b>	32,025
Draw Twisted Yarn	TPA	no. 477 (E) dated 27th July,		-	-
Polyester Staple Fibre	TPA	1991 and press note No 1		<b>132,300</b>	132,300
Polyester Chips	TPA	(1998 series) dated 8th		<b>52,500</b>	52,500
Polyester Filament Yarn	TPA	June, 1998.		<b>126,000</b>	126,000

## Schedule 23 : Contd...

### 16.2 Details of Production, Sales and Stocks of Finished Goods

Classes of Goods	Opening Stocks		Production		Sales		Closing Stocks	
	Qty	Value	Qty	Qty	Value	Qty	Value	
	(MT)	(Rs.'000)	(MT)	(MT)	(Rs.000)	(MT)	(Rs.'000)	
1. Draw Texturised Yarn (DTY)	8,199	684,193	33,067	39,119	3,097,202	2,147	156,613	
	(7,637)	(614,113)	(41,224)	(40,662)	(3,493,002)	(8,199)	(684,193)	
2. Polyester Staple Fibre (PSF)	12,179	866,655	120,583	131,771	9,005,906	991	59,849	
	(23,639)	(1,449,807)	(131,904)	(143,364)	(10,367,249)	(12,179)	(866,655)	
3. Polyester Filament Yarn (PFY)	13,850	1,095,174	99,449	111,338	6,620,667	1,961	135,082	
	(15,312)	(1,157,721)	(123,091)	(124,553)	(72,68,931)	(13,850)	(1,095,174)	
4. Polyester Chips	22	1,475	5,818	5,835	359,108	5	301	
	(476)	(26,350)	(7,356)	(7,810)	(517,931)	(22)	(1,475)	
5. Waste – Poly & DTY	161	3,114	2,503	2,590	73,298	74	1,715	
	(33)	(540)	(1,932)	(1,804)	(53,851)	(161)	(3,114)	

#### Notes:

- Figures in brackets are for previous year.
- Sales are after netting of returns out of earlier year sales amounting to Rs.2,431 thousand (Previous Year Rs.1,395 thousand).
- PFY of 25,700 MT (Previous Year 40,486 MT) has been transferred to DTY Division for internal consumption.
- Production of DTY includes 17 MT (Previous Year 93 MT) received after job work from an outside party.
- Production and Sales of PFY are net of quantity 6,683 MT (Previous year Nil) made and transferred on conversion basis.

### 16.3 Consumption of Raw Materials

	Unit	Quantity (MT)		Value (Rs. '000)	
		2006	2005	2006	2005
		Purified Terephthalic Acid	MT	199,936	224,983
Mono Ethylene Glycol	MT	77,889	87,660	3,270,679	4,389,972
Polyester Filament Yarn	MT	20	—	3,590	1,838
Others	MT	3,030	3,561	241,511	293,539
		280,875	316,204	11,126,780	13,474,892

#### Notes:

- DEPB benefit amounting to Rs.31,720 thousand (Previous Year Rs.70,095 thousand) reduced from raw material consumption has not been considered above.
- The aforesaid details exclude consumption of inter-divisional transfers of PFY 25,700 MT (Previous Year 40,486 MT).

### 16.4 Imported and indigenous raw materials and stores and spares consumed:

	Percentage of total consumption		Value (Rs.'000)	
	2006	2005	2006	2005
<b>A Raw Materials</b>				
Imported	39.36	32.05	4,379,577	4,319,222
Indigenously obtained	60.64	67.95	6,747,203	9,155,670
	100.00	100.00	11,126,780	13,474,892
<b>B Stores &amp; Spares</b>				
Imported	27.18	30.29	72,964	79,270
Indigenously obtained	72.82	69.71	195,477	182,432
	100.00	100.00	268,441	261,702

## Schedule 23 : Contd...

16.5 Details of Goods Purchased for Resale	Quantity (MT)		Value (Rs.'000)	
	2006	2005	2006	2005
<b>Man Made Fibre Yarn</b>				
Opening Stock	32	-	3,136	-
Purchases	7,063	1241	559,116	105,253
	<b>7,095</b>	1241	<b>562,252</b>	105,253
Sales	7,095	1209	640,954	110,351
Closing stock	-	32	-	3,136
<b>Polyester Cotton Yarn</b>				
Opening Stock	9	-	791	-
Purchases	13,034	1,322	1,060,781	109,500
	<b>13,043</b>	1,322	<b>1,061,572</b>	109,500
Sales	13,023	1,313	1,219,592	119,050
Closing stock	20	9	1,583	791
<b>Polyamide</b>				
Opening Stock	-	-	-	-
Purchases	-	323	-	56,187
	-	323	-	56,187
Sales	-	323	-	56,719
Closing stock	-	-	-	-
<b>Cotton</b>				
Opening Stock	-	-	-	-
Purchases	20	-	2,010	-
	<b>20</b>	-	<b>2,010</b>	-
Sales	20	-	2,239	-
Closing stock	-	-	-	-

**Note:** Purchase of Finished Goods is net of DEPB benefit amounting to Rs.221,966 thousand (Previous year Rs.46,769 thousand).

### 17. Following Non-trade Investments have been Purchased and Sold during the year :

Description	Number/Units	Purchased (Rs.'000)	Sold (Rs.'000)
<b>Equity Shares of Rs. 10 each of-</b>			
Amtek Auto Ltd.	125,000	20,736	35,707
Arvind Mills Ltd.*	223,200	28,605	25,085
Ballarpur Industries Ltd.	380,917	38,020	46,624
Bongaigaon Refinery & Petrochemicals Ltd.*	900,611	74,658	72,956
Chennai Petroleum Ltd.	84,350	20,506	20,186
EID Parry (India) Ltd.	192,290	20,091	37,186
Essar Steel Ltd.	1,995,980	102,998	78,398
Gokaldas Exports Ltd.	5,581	2,372	2,960
Grasim Industries Ltd.	76,350	89,915	97,679
Gujarat Alkalies & Chemicals Ltd.	126,207	16,116	15,550

**Schedule 23 : Contd...**

Description	Number/Units	Purchased (Rs.'000)	Sold (Rs.'000)
Gujarat Fluorochemicals Ltd.*	168,257	82,852	176,149
Hindustan Petroleum Corporation Ltd.	336,850	100,617	102,257
Hotel Leela Venture Ltd.	7,478	1,144	1,400
IFCI Ltd.	3,890,250	52,746	45,248
India Glycols Ltd.*	100,167	13,454	14,676
Indian Arylics Ltd.	1,235,251	19,194	18,549
Indian Hotels Co. Ltd.	68,443	44,641	83,587
Indian Oil Corporation Ltd.	174,347	77,435	92,148
Jindal Poly Films Ltd.	48,966	17,628	16,851
Mahavir Spinning Mills Ltd.	12,198	2,912	3,357
Mount Everest Mineral Water Ltd.	252,355	18,491	15,858
Mangalore Refinery And Petrochemicals Ltd.	600,750	29,364	28,319
Oil & Natural Gas Corpn. Ltd.*	3,850	2,976	3,257
Oriental Bank of Commerce	91,000	23,551	25,192
Punjab National Bank*	37,721	14,711	13,783
Reliance Capital Ltd.	55,000	21,989	22,001
Reliance Industries Ltd.	650,300	411,693	494,269
SRF Ltd.*	1,131,500	145,146	225,535
State Bank of India	118,300	95,068	104,240
Tata Steel Ltd. *	58,700	20,097	21,159
Tata Motors Ltd.	43,520	20,115	22,061
Yes Bank Ltd.	127,181	5,723	8,496
<b>Equity Shares of Rs 2 each of-</b>			
Gujarat Fluorochemicals Ltd.	181,825	39,087	65,288
<b>Units of Mutual Funds of -</b>			
Alliance Cash Manager-Institutional Plan-Growth	18,825,322	210,000	210,318
Chola Liquid Inst. Plus - Cumulative	20,942,417	290,000	290,411
Deutsche Insta Cash Plus Fund - Institutional Plan - Growth	22,237,708	235,000	235,299
Franklin India Prime Fund - Dividend Reinvestment*	1,815,824	70,000	80,280
Grindlays Cash Fund - Super Inst. Plan C - Growth	30,234,697	364,500	364,930
HDFC Capital Builder Fund - Dividend Plan*	3,420,356	71,603	87,417
HDFC Cash Management Fund - Savings Plan - Growth	49,757,564	693,500	694,594
HDFC Premier Multi-cap Fund - Dividend Reinvestment*	5,000,000	50,000	69,251
HSBC Cash Fund - Institutional -Growth	17,996,002	210,000	210,205
ING Vysya Liquid Fund Institutional -Growth	17,761,597	190,000	190,186

### Schedule 23 : Contd...

Description	Number/Units	Purchased	Sold
		(Rs.'000)	(Rs.'000)
Kotak Liquid (Institutional)- Growth	27,649,241	379,500	380,362
Principal Cash Management Fund Inst. Plan – Growth	8,789,826	97,500	97,806
Principal Dividend Yield Fund- Dividend Reinvestment*	1,701,530	17,068	18,842
Prudential ICICI Liquid Plan Institutional Plus-Growth	18,699,079	313,500	314,273
Sahara Liquid Fund – Growth	7,460,274	90,000	90,200
Standard Chartered Liquidity Manager – Growth	9,493,298	95,000	95,261
Tata Liquid Super High Inv. Fund- Appreciation	358,521	445,000	445,530
Templeton Floating Rate Income Fund Short Term Plan-Growth	6,606,274	80,000	80,386
UTI Liquid Cash Plan Institutional – Growth	418,069	465,000	465,644
<b>Grand Total</b>	<b>282,672,295</b>	<b>6,041,823</b>	<b>6,457,205</b>

\* Sold out of purchases made in previous year Rs.377,855 thousand.

### 18. Previous Year Comparatives

Previous year's figures have been regrouped where necessary to conform to this year's classification.

As per our report of even date

S.R.Batliboi & Co.  
Chartered Accountants

For and on behalf of the Board of Directors

per MANOJ GUPTA  
Partner  
Membership No. : 83906

N.C.JAIN  
Company Secretary

A. CHATTERJEE  
President  
& CFO

A.K. LADHA  
Director

O.P. LOHIA  
Chairman &  
Managing Director

Place : New Delhi  
Date : 20th April, 2006

Information pursuant to the provisions of Part IV of Schedule VI to the Companies Act, 1956.

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I. Registration Details**

Registration No.  State Code   
 Balance Sheet Date     
 Date Month Year

**II. Capital raised during the year**

(Amount in Rs. thousand)

Public Issue	<input type="text" value="NIL"/>	Rights Issue	<input type="text" value="NIL"/>
Bonus Issue	<input type="text" value="NIL"/>	Private Placement	<input type="text" value="NIL"/>

**III. Position of Mobilisation and Deployment of Funds**

(Amount in Rs. thousand)

Total Liabilities	<input type="text" value="18996199"/>	Total Assets	<input type="text" value="18996199"/>
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**Sources of Funds:**

Paid Up Capital	<input type="text" value="1318257"/>	Reserves & Surplus	<input type="text" value="5356733"/>
Secured Loans	<input type="text" value="5609375"/>	Unsecured Loans	<input type="text" value="NIL"/>
Deferred Tax Liability	<input type="text" value="1769762"/>		

**Application of Funds:**

Net Fixed Assets	<input type="text" value="15287365"/>	Investments	<input type="text" value="489793"/>
Net Current Assets	<input type="text" value="-1723031"/>	Misc. Expenditure	<input type="text" value="NIL"/>

**IV. Performance of the Company:**

(Amount in Rs. thousand)

Turnover (Incl. other income)	<input type="text" value="19336697"/>	Total Expenditure	<input type="text" value="18664925"/>
Profit before Tax	<input type="text" value="671772"/>	Profit after Tax	<input type="text" value="518339"/>
Earning per share in Rs.	<input type="text" value="3.93"/>	Dividend Rate %	<input type="text" value="30"/>

**V. Generic names of three principal products of the Company (as per monetary terms)**

1) Item Code No. (ITC CODE)	<input type="text" value="55032000"/>
Product Description	<input type="text" value="POLYESTER STAPLE FIBRE"/>
2) Item Code No. (ITC CODE)	<input type="text" value="54024200"/>
Product Description	<input type="text" value="POLYESTER FILAMENT YARN"/>
3) Item Code No. (ITC CODE)	<input type="text" value="54023300"/>
Product Description	<input type="text" value="DRAW TEXTURISED YARN"/>



## MARKETING OFFICES

### **BHILWARA**

8S-27/28, BASANT VIHAR  
K.C.TEXTILE BUILDING  
BHILWARA-311001  
TEL : 01482-237576  
FAX : 01482-237733

### **COIMBATORE**

"SARANG" 1ST FLOOR  
8/5 RACE COURSE ROAD  
COIMBATORE - 641018  
TEL : 0422-2220456  
FAX : 0422-2220658

### **LUDHIANA**

B-XIX-122/2, 4TH FLOOR  
GOLDEN PLAZA  
THE MALL ROAD  
LUDHIANA-141001  
TELEFAX : 0161-2442752/5045068

### **MUMBAI**

THE METROPOLITAN  
6TH FLOOR, EAST WING  
C-26/27 BANDRA KURLA COMPLEX  
BANDRA (EAST), MUMBAI - 400051  
TEL : 022-26571234  
FAX : 022-26571222

### **NEW DELHI**

903 MOHAN DEV BUILDING  
13 TOLSTOY MARG  
NEW DELHI - 110001  
TEL : 011-23737686  
FAX : 011-23355364

### **SILVASSA**

MADHUBAN APARTMENTS  
PLOT NO.15/3/2  
OPP. PATEL PETROL PUMP  
AMLI, SILVASSA - 396230  
TEL : 0260-2643416/17, 2644519

### **SURAT**

202, TRIVIDH CHAMBERS  
OPP. FIRE BRIGADE STATION  
RING ROAD, SURAT - 395002  
TEL : 0261-2339368/2328757  
FAX : 0261-2348502

### **TIRUPUR**

FIRST FLOOR, ALAGAPPA COMPLEX  
NORTHEN END, 4/5, PALLADAM ROAD  
OPP.TAMILNADU THEATERS  
TIRUPUR-641605  
TEL : 0421-2217994  
FAX: 0421-2217993

## MANUFACTURING COMPLEX

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