



THE PRAG BOSIMI SYNTHETICS LIMITED

17th Annual Report

2005 – 2006

BOARD OF DIRECTORS

Shri Niraj Verma, IAS
Chairman
(w.e.f. 18.06.2005)

Shri H.K.Sharma, IAS
Chairman
(Upto 18.06.2005)

Shri Hemant B.Vyas
Managing Director

Shri Devang H.Vyas
Executive Director

Shri Samir Kumar Saha
Director, Finance

DIRECTORS

Shri B.H.Bachkaniwala

Shri Pritipal Singh
Nominee, IDBI

Shri M.K.Datta
Nominee, LIC

Shri Deepak Ghosh
Nominee, IFCI

Shri Deviinder Gupta
Nominee, ICICI Bank
(Upto 19.01.2006)

Shri L.Govind
Nominee, ICICI Bank
(From 19.01.2006 to 28.06.2006)

Dr. M.K.Sinha

Shri M.K.Das

Shri Girindra Mohan Das

BANKERS

State Bank of India

Allahabad Bank

Bank of Baroda

Central Bank of India

UCO Bank

AUDITORS

H.Khaund & Co.
Chartered Accountants
Guwahati.

REGISTERED OFFICE

Rangpur,
R.G.Barua Road,
Guwahati 781 005
Assam.

PLANT

Bijulibari Village,
P.O.Khandajan,
Via Sipajhar,
Dist. Darrang 784 145

HEAD OFFICE

R-79/83, Laxmi Insurance Building,
5th Floor, Sir P.M.Road,
Mumbai 400 001.

**REGISTRARS & SHARE
TRANSFER AGENTS**

Sharex Dynamic (India) Private Limited
17/B Dena Bank Building,
2nd Floor, Horniman Circle,
Fort, Mumbai 400 001.

NOTICE

Notice is hereby given that the 17th Annual General Meeting of The Prag Bosimi Synthetics Limited will be held at 4.00 p.m. on Friday the 30th day of March 2007 at Hotel Landmark, Dr. R.B.Barooah Road, Ulubari, Guwahati 781 007 to transact the following business:

ORDINARY BUSINESS:

- (1) To receive, consider and adopt the Audited Profit & Loss Account for the eighteen months period ended 30th September 2006 and Balance Sheet as at that date and the Report of Directors and Auditors thereon.
- (2) To appoint a Director in place of Shri B.H.Bachkaniwala who retires by rotation and being eligible offers himself for re-appointment.
- (3) To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of section 224A of the Companies Act, 1956 M/s. H. Khaund & Company, Chartered Accountants, the retiring auditors of the Company, be and they are hereby reappointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting on a remuneration as may be mutually agreed upon between the Board of Directors of the Company and the Auditors, plus traveling, living and out of pocket expenses actually incurred by the Auditors in connection with the audit work."

SPECIAL BUSINESS:

- (4) To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary resolution:

RESOLVED THAT Shri Niraj Verma, IAS, who was appointed in the casual vacancy caused by withdrawal of nomination of Shri H.K.Sharma, IAS by the Assam Industrial Development Corporation Limited (AIDC) with effect from 18th June 2005 and who holds office upto the date of this annual general meeting be and is hereby appointed as a Director of the Company.
- (5) To consider and if thought fit, to pass with or without modification, the following resolution as a Special resolution:

"RESOLVED THAT pursuant to the provision of section 269, read with schedule XIII and other applicable provisions if any of the Companies Act 1956 and subject to such approvals as may be necessary, Shri Hemant B.Vyas be and is reappointed as Managing Director effective from 28th May 2007 on the following terms and conditions:

 - a. Period of Employment : 28.05.2007 to 27.05.2010
 - b. Basic Salary : Rs.1, 25,000/-p.m.

In addition to salary, the Managing Director will be entitled to following perquisites and allowances.
 - c. Provision of Housing : Cost not exceeding 60% of Accommodation or House Rent Allowance in lieu thereof

Basic Salary
 - d. Reimbursement of electricity charges, gas bills: : 10% of the basic salary.
 - e. Reimbursement of Medical Expenses/ Medical Insurance for Managing Director and his family : Upto 1 month's Basic Salary p.a. or three months salary in a period of three years.
 - f. Leave Travel Allowance : Upto 1 month's Basic Salary p.a. for Managing Director and his family
 - g. Accident Insurance : Premium upto Rs.5000/- Premium

- h. Club fees : Annual subscription for upto two clubs. Life membership fees excluded.
- i. Entertainment Expenses : For Company's guests

For the purpose of calculating the above ceiling, perquisites and allowances shall be evaluated as per Income Tax Rules, wherever applicable. In the absence of any such rules, perquisites and allowances shall be evaluated at actual cost to the Company.

Provision of Company's Car with Driver for official duties and telephone at residence shall not be included in computation of perquisites and allowances for the purpose of calculating the above ceiling.

- j. Gratuity : 15 days' salary for every completed year of service after completion of five years' continuous service.
- k. Earned Leave : 30 days for every 11 months' service Unavailed leave to be encashed.

Where in any financial year, during the currency of the tenure of the Managing Director, the Company has no profits or its profits are inadequate, the Company will pay the above remuneration as minimum remuneration. The above remuneration is in accordance with the ceiling provided under Schedule XIII of the Companies Act, 1956.

The terms and conditions of the said appointment and / or Agreement may be altered and varied from time to time by the Board as it may, in its discretion, deem fit within the maximum amount payable to Shri Hemant B. Vyas in accordance with Schedule XIII to the Act or any amendments made hereafter in this regard.

RESOLVED Further that above remuneration will be effective from 28.05.2007 .

- (6) To consider and if thought fit, to pass with or without modification, the following resolution as a Special resolution:

RESOLVED THAT pursuant to the provision of section 269, read with schedule XIII and other applicable provisions if any of the Companies Act 1956 and subject to such approvals as may be necessary, Shri Devang H.Vyas be and is hereby reappointed as Executive Director effective from 3rd July 2006 on the following terms and conditions:

- a. Period of Employment : 3rd July, 2006 to 2nd July, 2009
- b. Basic Salary : Rs.1, 00,000/-p.m.

In addition to salary, the Executive Director will be entitled to the following perquisites and allowances, which will be subject to a maximum of 125% of his annual salary.
- c. Free Furnished Accommodation or House Rent Allowance in lieu thereof : At cost not exceeding 60% of the salary
- d. Reimbursement of electricity charges, gas bills : Not exceeding 10% of the basic salary.
- e. Reimbursement of Medical Expenses/ Medical Insurance for Executive Director and his family : Upto 1 month's Basic Salary p.a. or three months salary in a period of three years.
- f. Leave Travel Allowance : Upto 1 month's Basic Salary p.a. for Executive Director and his family
- g. Children's Education Allowance : Rs.2, 400/- p.a.
- h. Accident Insurance : Premium upto Rs.5000/- Premium
- i. Club fees : Annual subscription for upto two clubs. Life membership fees excluded.

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- j. Entertainment Expenses : For Company's guests

For the purpose of calculating the above ceiling, perquisites and allowances shall be evaluated as per Income Tax Rules, wherever applicable. In the absence of any such rules, perquisites and allowances shall be evaluated at actual cost to the Company.

Provision of Company's Car with Driver for official duties and telephone at residence shall not be included in computation of perquisites and allowances for the purpose of calculating the above ceiling.

- k. Contribution to P.F. : 12% of Basic Salary
l. Gratuity : 15 days' salary for every completed year of service after completion of five years' continuous service.
m. Earned Leave : 30 days for every 11 months' service, Unavailed leave to be encashed

Where in any financial year, during the currency of the tenure of the Executive Director, the Company has no profits or its profits are inadequate, the Company will pay the above remuneration as minimum remuneration. The above remuneration is in accordance with the ceiling provided under Schedule XIII of the Companies Act, 1956.

The terms and conditions of the said appointment and / or Agreement may be altered and varied from time to time by the Board as it may, in its discretion, deem fit within the maximum amount payable to Shri Devang H. Vyas in accordance with Schedule XIII to the Act or any amendments made hereafter in this regard.

The contract for appointment of Executive Director will be effective from the 3rd July, 2006 after the same is signed by the Company and the Executive Director, and remuneration will be payable with retrospective effect.

- (7) To consider and if thought fit, to pass with or without modification, the following resolution as a Special resolution:

RESOLVED THAT pursuant to the provision of section 269, read with schedule XIII and other applicable provisions if any of the Companies Act 1956 and subject to such approvals as may be necessary, Shri Samir Kumar Saha, be and is reappointed as Director Finance effective from 20th September 2006 on the following terms and conditions.

- a. Period of Employment : 20th September 2006 to 19th September, 2009.
b. Basic Salary : Rs.98750/- per month
c. Reimbursement of Medical expenses : not exceeding Rs.1250/- per month
d. Gratuity : 15 days' salary for every completed year of service after completion of five years' continuous service
e. Earned Leave : 30 days for every 11 months' service unavailed leave to be encashed

Provision of Company's car with Driver for office use only. Where in any financial year, during the currency of the tenure of the Director Finance, the Company has no profits or its profits are inadequate, the Company will pay the above remuneration as minimum remuneration. The above remuneration is in accordance with the ceiling provided under Schedule XIII of the Companies Act, 1956.

The terms and conditions of the said appointment and / or Agreement may be altered and varied from time to time by the Board as it may, in its discretion, deem fit within the maximum amount payable in accordance with Schedule XIII to the Act or any amendments made hereafter in this regard.

Either party may terminate the Agreement after giving the other party three months notice or three months' remuneration in lieu of the notice.

If at any time he ceases to be Director of the Company for any cause whatsoever, he shall cease to be the Director Finance of the Company. If at any time Shri S.K.Saha ceases to be in the employment of the Company for any cause whatsoever, he shall cease to be Director of the Company.

Shri S.K.Saha is appointed by virtue of his employment in the Company and his appointment is subject to the provisions of Section 283(1)(l) of the Act, while at the same time the Director Finance is liable to retire by rotation.

Shri S.K.Saha shall not be entitled to supplement his earnings under this Agreement with any buying or selling commission. He shall not also become interested or otherwise concerned directly or through his wife and / or minor children in any selling agency of the Company, without the prior approval of the Central Government.

Resolved further that above remuneration will be effective from 1st January 2006.

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

RESOLVED THAT approval of members be and is hereby accorded to get the equity shares of the Company delisted from Delhi Stock Exchange Association Limited ;The Stock Exchange, Ahmedabad and Calcutta Stock Exchange Association Limited.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to do all such acts, deeds, matters and things as may be necessary or expedient for giving effect to the above resolution without being required to seek any further approval of the members to give effect to this resolution and to do all other matters, ancillary and consequential thereto

By Order of the Board,

Mumbai
Date: 27th February 2007

(Hemant B.Vyas)
Managing Director

Notes:

- The Register of Members and share transfer books of the Company will remain closed from 21st March 2007 to 30th March 2007 (both days inclusive)
- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE (ON A POLL) INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
- Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 relating to Item No.3 to 8 of the notice is annexed hereto.
- Details under clause 49 of the Listing Agreement with Stock Exchanges in respect of Directors seeking appointment/ re-appointment at the Annual General Meeting are separately annexed hereto.

ANNEXURE TO THE NOTICE**EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956 FORMING PART OF THE NOTICE DATED 27th FEBRUARY 2007.****Item No. 3:**

Section 224A of the Companies Act 1956, provides for the appointment or reappointment at each Annual General Meeting of an auditor or auditors of a Company by a Special Resolution, if the Company is one in which not less than 25% of its subscribed share capital is held singly or in any combination thereof, by the Public Financial Institutions, Government Companies etc.

The holdings of the aforesaid companies and institutions in the Company exceed 25 % of its subscribed share capital and hence the re-appointment of Messrs H.Khaund & Co. retiring auditors of the Company is required to be made by a Special Resolution. As required under Section 224 of the Act, certificate has been received from them to the effect that their appointment, if made, will be in accordance with the limits specified in Section 224(1B) of the Act. The Shareholders' approval is also being sought to authorise the Board of Directors to determine the remuneration payable to the Auditors in consultation with them.

Item No.4:

Shri Niraj Verma, IAS, was nominated as a Director and Chairman of the Board of Directors of the Company by Assam Industrial Development Corporation Limited (AIDC) in place of Shri H.K.Sharma, IAS. Shri Niraj Verma, IAS, was appointed as a Director with effect from 18th June 2005 in the casual vacancy caused by the withdrawal of the nomination of Shri H.K.Sharma, IAS by AIDC. Since the term of Shri H.K.Sharma, IAS as a director was due to expire at the 17th Annual General Meeting of the Company the term of Shri Niraj Verma, IAS will also expire at the 17th Annual General Meeting of the Company. Shri Niraj Verma, IAS holds office of Director upto date of the forthcoming Annual General Meeting under section 262 of the Companies Act, 1956.

The Company has received notice from a member as required under section 257 of the companies Act, 1956 proposing Shri Niraj Verma, IAS as a candidate for the office of Director, liable to retirement by rotation.

The Board considers it desirable that the Company should continue to avail itself of the services of Shri Niraj Verma, IAS as a Director and accordingly commends the Resolution for approval by the members.

ITEM NO.5.

Shri Hemant B. Vyas was re-appointed as a Managing Director w. e. f 28th May 2004 for a period of three years, His term of employment expires on 27th May 2007. Since the Board is of the view that it is in the interest of the Company to renew the contract with Shri Hemant B.Vyas the Board constituted a committee to recommend remuneration for Shri Hemant B. Vyas. The Remuneration Committee comprised of the following directors. Dr.M.K. Sinha, Shri M.K. Das, and Shri Pritpal Singh. The Committee recommended that Shri Hemant B.Vyas, Managing Director be paid as per the present terms for the time being as set out in the body of the resolution, which the Board has agreed to offer, vide Board Resolution Dated 27th February 2007. Keeping the present situation in view Shri Hemant B.Vyas, Managing Director of the Company has kindly agreed to continue as Managing Director of the Company with the present salary for the time-being without any increase. The proposed remuneration is very much lower than the maximum permissible to a managerial person under Schedule XIII for a Company with effective capital of over Rs.100crores. The said remuneration is also much less than what is paid in the industry to the persons shouldering similar responsibilities.

Shri Hemant B. Vyas is a B.Com of Mumbai University. He possesses 47 years experience in textile industry. Shri Hemant B. Vyas is a promoter of the Company.

Shri Hemant B. Vyas has rendered invaluable services for completing the project of the company amidst a lot of difficulties

and uncertainties including adverse law and order situation of the State of Assam and has taken various steps to contain and balance the cost and the time overrun through his personal efforts and representations with State and Central Governments and other authorities. His services were of utmost importance to maintain morale at the project site and thus for successful completion of the project. The services of Shri. Hemant B. Vyas were not only helpful but also indispensable for completing the project. Shri Hemant B. Vyas voluntarily did not draw any remuneration when the project was under implementation. In view of above, your Directors recommend the Resolution for your approval.

None of the Directors other than Shri Hemant B. Vyas and Shri Devang H. Vyas, Executive Director (Son of Shri Hemant B. Vyas) is in any way concerned or interested in the resolution.

Item No.6:

Shri Devang H.Vyas was appointed as Executive Director w. e. f 3rd July 2003 for a period of three years, His term of employment expired on 2nd July 2006. Since the Board considered that it is in the interest of the Company to renew his appointment, the Board of Directors constituted a committee of Directors at the board meeting held on 30th May 2006 to consider remuneration for Shri Devang H. Vyas. The committee comprised the following Directors. Dr. M.K. Sinha, Shri M.K. Das, Shri Pritpal Singh. The committee recommended that Shri Devang H Vyas, Executive Director be paid remuneration as per the present terms for the time-being as set out in the body of the resolution, which the Board has agreed to offer, vide Board Resolution dated 27th February 2007 keeping the present situation in view Shri Devang H.Vyas, Executive Director of the Company has kindly agreed to continue as Executive Director of the Company with the present salary for the time-being without any increase. The proposed remuneration is very much lower than the maximum permissible to a managerial person under Schedule XIII for Company with effective capital of over Rs.100 crores. The said remuneration is also much less than what is paid in the industry to the persons of comparable background.

Shri Devang H. Vyas is an academically brilliant Chemical Engineer from Mumbai University's Department of Chemical Technology. (UDCT) He ranked third in the Bachelor of Engineering Examination of the UDCT of Mumbai University. He qualified as M.B.A. from Stanford University of U.S.A. He has to his credit experience as a consultant with a global consultancy firm, McKinsey & Co, USA. He started as Deputy General Manager in this Company and rose to the position of Executive Director. He looks after Finance, Personnel, and Systems Management in the Company.

Since the Company intends to expand its production capacity Shri Devang H. Vyas will be required to shoulder higher responsibilities.

Shri Devang H.Vyas by virtue of being a Chemical Engineer and an M.B.A is an ideal professional techno commercial man most suited to the position of Executive director in a petrochemical Company.

Accordingly the resolution set out in the notice is placed for your consideration. None of the Directors other than Shri Devang H. Vyas and Shri Hemant B.Vyas, Managing Director (Father of Shri Devang H. Vyas) is in any way concerned or interested in the resolution. The Directors commend the resolution for your approval.

This explanation together with the notice is and should be treated as an abstract under section 302 of the Companies Act, 1956

ITEM 7

Financial institutions have stipulated that the Company should appoint professionally qualified person as a Director – Finance and the Director, Finance should be member of the Board of Directors. Accordingly Shri Samir Kumar Saha was appointed as a Director Finance w. e. f 20th September 2003 for a period of three years, His term of employment expired on

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19th September 2006. The Company desires to re-appoint him as Director Finance. Shri Samir Kumar Saha, a Chartered Accountant and Law graduate possessing 31 years experience in the field of accounts, banking and finance. A committee comprising Dr. M.K. Sinha, Shri M.K. Das and Shri Pritpal Singh was constituted by the Board on 14th March 2006 to recommend suitable pay package for Shri Samir Kumar Saha. The Remuneration Committee submitted its Report to the Board and the Board at its meeting held on 14th March 2006 has approved the remuneration as set out in the body of the resolution. The proposed remuneration is much less than the maximum permissible to a managerial person under Schedule XIII for a Company with effective capital of over Rs.100 crores. The said remuneration is also very much lower than what is paid in the industry to the persons shouldering similar responsibilities.

In view of above, your Directors recommend the Resolution for your approval.

None of the Directors other than Shri Samir Kumar Saha is in any way concerned or interested in the resolution.

This explanation together with the notice is and should be treated as an abstract under section 302 of the Companies Act, 1956

Item No.8:

Presently equity shares of the Company are listed on The Stock Exchange Mumbai; Delhi Stock Exchange Association Limited; The Stock Exchange, Ahmedabad; Calcutta Stock Exchange Association Limited and The Gauhati Stock Exchange Limited.

As trading in the shares of the Company at stock exchanges other than Mumbai Stock Exchange is negligible, it is proposed to get the shares de-listed from Delhi Stock Exchange Association Limited; The Stock Exchange, Ahmedabad; and Calcutta Stock Exchange Association Limited. Your approval is sought to the proposal by a Special resolution as required by SEBI (Delisting of Securities) Guidelines 2003. The proposed delisting of shares from these stock exchanges is not prejudicial to the interest of the investors as the Company's shares will remain listed on Gauhati Stock Exchange and Mumbai Stock Exchange which has trading terminals in various cities allowing the investors convenient access to trade and deal in Company's shares through out the country. The Company's shares are mandated by SEBI for compulsory trading in demat form by all investors.

Details of the Directors seeking appointment/reappointment in Annual General Meeting fixed on 30th March, 2007

Name of the Director	Shri Niraj Verma, IAS	Shri B.H.Bachkaniwala
Date of Birth	6th July, 1969	28th March 1935
Date of Appointment	18th June, 2005	21st March 1990.
Expertise in specific functional area	Management and Administration	Textile
Qualification	B.Tech. Electrical Engineer, IAS	Graduate in Textile Engineering (M. S. University, Baroda)
Experience in No. of Years	10	45
List of outside directorship held	<ol style="list-style-type: none"> 1. Assam Industrial Development Corporation Ltd. 2. Assam Syntex Ltd. 3. Assam Petrochemicals Ltd. 4. Assam State Weaving & Manufacturing Co. Ltd. 5. Cachar Sugar Mills Ltd. 6. Fertichem Ltd. 7. Industrial Paper (Assam) Ltd. 8. Assam Ashok Hotel Corporation Ltd. 9. NEITCO 10. Assam Power loom Development Corpn.Ltd. 11. Ashok Paper Mills Ltd. 12. Assam Carbon Products Ltd. 13. Assam State Textile Corporation Ltd. 14. Pragjyotish Fertilizers & Chemical Ltd. 15. Assam State Fertilizers & Chemicals Ltd. 16. Calcom Cement India Ltd. 	<ol style="list-style-type: none"> 1. Himson Fadis Machinery Pvt.Ltd. 2. Himson Textile Engg. Inds. Pvt. Ltd. 3. Himson Twisting & Texturising Inds.Pvt. Ltd. 4. P.B.Textiles Ltd. 5. Himson Industrial Ceramic Pvt. Ltd. 6. Himson Techno Services Pvt. Ltd. 7. Himson International Pvt. Ltd. 8. Swayambhu Petrochemicals Ltd. 9. Rieter Himson Ltd. 10. Himson Texmac Ltd. 11. Himson Industries Ltd. 12. Mackie Himson Machinery Pvt. Ltd. 13. Galaxy Wires Private Ltd.
Chairman/ member of the committee of the Board of Directors of the Company	-	Share Transfer Committee - Member
Chairman/member of the Committee of Directors of other Companies.	<p>In AIDC members of the following committees</p> <ol style="list-style-type: none"> 1. Departmental Promotion cum Personnel Affairs Committee. 2. Executive Committee. 3. Tender Committee for award of contract over Rs.1 Crore. 	

DIRECTORS' REPORT

Your Directors hereby present their seventeenth annual report together with Audited Statement of Accounts of your Company for the 18-month period ended on 30th September 2006. The performance of the Company is summarized below

	(Rupees in Crores)	
	18 months ended 30th September 2006	18 months ended 31st March 2005
Gross Turnover	74.44	245.36
Turnover net of Excise Duty	65.46	195.26
Profit (Loss) before Depreciation Interest and Taxation	(23.85)	13.91
(Add)/Less: Interest	(7.99)	9.64
(Add)/Less: Depreciation	(5.49)	5.48
Profit/(Loss) after Depreciation, interest and taxation	(37.33)	(1.21)
Add/(Less) Expenses of prior years.	(0.88)	(0.20)
(Loss) for the period	(38.21)	1.41
Add (Less) Loss Brought forward from the Previous year	(40.62)	(39.21)
Total Loss carried Forward to next year	(78.83)	(40.62)

OPERATIONS

Your Directors report that sales performance during the period under review has been adversely affected due to following reasons.

- Unprecedented increase in the raw material prices, which could not be passed on to the finished products.
- Reduction in excise duty announced in Union Budget for year 2005-06 and 2006-07 resulting into lower excise refund which was one of the major contributors to Company's profitability.
- Shortage of working capital caused by steep increase in raw material prices. Unfortunately additional working capital could not be provided in time by the banks inspite of Company's efforts, which has resulted in reduced capacity utilization.

All these factors together resulted in losses. Company closed its production to keep the loss to minimum.

In view of the loss incurred during the period and brought forward losses of earlier years, your Directors regret their inability to declare any dividend for the period under review.

PROSPECTS

As informed in the last Director's report 2003-2005 the company is continuing its effort for expanding its capacity from 36000 TPA to 130,000 TPA over the next two years with capability for producing value added products. Polyester Industry in general is growing at 12%, which is a sign of the industry being healthy. The minimum economic size of POY plants is now about 100,000 tons. Also, today concept of selling just POY yarn is changing and it is now being realised that selling of value added product made from POY is the key to compete successfully. Therefore our Company needs to expand its capacity to at least 100,000 tons to achieve economies of scale and also needs to add maximum downstream machinery for value added production.

You are also aware that your Company has a large liability of financial institutions. It may be noted that inspite of delay, Company's capital goods installation cost was kept in control, however interest burden over the years has mounted, as company was unable to service its debt. To restore its viability Company approached CDR forum in 2004 for restructuring this liability. Company's case was approved by CDR. However, this approval was based on financials of 2003-04 when raw material prices were in normal range of last 5 years, finished product prices were also higher and excise refund was substantial. But the Budget of 2005-06 changed the scenario and Company could not avail of CDR offer. Now financial institutions have come forward for accepting an OTS.

To achieve the One Time Settlement (OTS) as well as for its expansion plan company is negotiating with investors both domestic and international, for raising resources. This will improve the company's long-term viability. Your Company will continue to remain intensely focused on improving operational efficiencies, product mix and enlarging the area of its operations in the market place.

Company is hopeful to achieve favourable result for their efforts in raising the required funds.

POWER

As a result of completion of 132 KV transmission line, the Company's dependence on high cost power from Diesel Generating Sets has reduced. Though the line has been put into operation as reported earlier, there are still power dips and break downs in the supply. To counteract this, Company has already taken steps to install UPS (Uninterrupted Power Supply), which would make the power supply smooth and continuous. This will improve the quality of Company's production substantially and make its products world class, which is necessary for export. This will also reduce the cost of power.

EXTENSION OF ACCOUNTING YEAR

The accounting year of the Company was changed with necessary approval to cover a period of 18 months from 1st April 2005 to 30th September 2006.

FINANCE

The last Director's Report mentioned about restructuring of company's debt by term lending institutions through Corporate Debt Restructuring cell (CDR). Union Budget of 2005-2006 and 2006-2007 had made drastic changes in the Excise Duty structure, which adversely affected the profitability and as a result the debt servicing capacity of the Company. Accordingly your company had approached the CDR Cell and offered the term lending institutions a One Time settlement (OTS) of Debt. The company has offered the following two options to the term lenders.

OPTION 1: 62.5% of total Principal dues (including Preference Capital) would be total OTS amount, to be paid as:

- 30% of OTS amount would be paid as cash upfront
- 40% of OTS amount would be issued as 0.01% Redeemable Preference Shares, to be redeemed in the 5th year after issue.
- 15% of OTS amount would be issued as 0.01% Convertible Preference Shares to be converted into Equity shares at SEBI formula price 18 months after issue.
- 15% of OTS amount would be issued as 0.01% Convertible Preference Shares to be converted into Equity shares at SEBI formula price 60 months after issue.

OPTION 2: 43% of total Principal dues (including Preference Capital) to be paid as:

- 29% of OTS amount would be paid as cash upfront.
- 7% of OTS amount would be issued as Unsecured Debenture with a coupon of 8% p.a. to be redeemed 18 months after issue.
- 7% of OTS amount would be issued as Unsecured Debenture with a coupon of 8% p.a. to be redeemed 36 months after issue.

WORKING CAPITAL

When the unprecedented rise of raw material prices took place, Company's working capital (which was originally 18% less than the assessed requirement) became seriously insufficient for full capacity utilization. The matter was brought up before the CDR and it directed working capital bankers to bridge the gap. However the banks did not release full working capital requirement of the Company. It may be noted that till December 2004 in the two years since working capital was released Company performed well.

In addition to working capital shortfall due to price increase, a substantial amount of working capital also got blocked in various subsidies granted to the company under North East Industrial

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Policy. Thus the Company experienced acute working capital shortage. This forced the company to gradually reduce its capacity utilization and finally it had to stop its production from February 2006. As reported earlier your directors are in constant touch with bankers for release of need-based working capital. Directors are also trying to bring in new banks into the consortium.

AUDITORS' REPORT

Your directors give full explanations for various qualifications set out in Auditors' Report in Annexure A, which follows the said Report

CAPITALIZATION OF PROJECT COST

Auditors of the Company in their Audit Report on the accounts for the period ended 30th September 2006 have inter alia continued to comment upon non provision of depreciation on certain plant and machinery and on non- capitalization of interest and related preoperative expenses.

In this connection, the Company has been advised that such continued non provision of depreciation and non capitalization of interest on loans and related preoperative expenses, is well within the legal position in this behalf, including the provisions of section 205 of the Companies Act 1956 since the Company has not proposed declaration or payment of any dividend.

The Board has been advised that in view of the Company's efforts to renegotiate with various financial term lending institutions, the rate of interest and rescheduling of its outstanding loans including waiver, reliefs, deferment of repayment of instalments, including one time settlement of all its dues, the quantum of such interest and resultant final loan liability continues to be unascertainable justifying its non provision in these accounts.

Similarly, the Company is also advised that capitalization of pre-operative Capital Work-in-Progress amount should also wait till full stabilization of its Plants and amicable resolution of its negotiations with the lending institutions and crystallization of final amount of interest and principal payable to them. Subject to above, the other Audit qualifications are self-explanatory.

On the same consideration the Company has not carried out any exercise to ascertain whether there has been any impairment of assets as required by accounting standard AS(28).

The Company is taking steps to bring to the notice of the Board of Industrial and Financial Reconstruction (BIFR) regarding erosion of net worth by more than 50% in terms of Sick Industrial Companies (Special Provisions) Act, 1985.

DIRECTORS

ICICI Bank has withdrawn the nomination of Shri Deviinder Gupta and Shri L.Govind as Nominee Directors of the Company. The Board has placed on record the appreciation of invaluable services rendered to the Company by Shri Devinder Gupta and Shri L.Govind during their tenure.

In accordance with the Articles of Association of your Company, Shri.B.H.Bachkaniwala retires by rotation but being eligible offers himself for reappointment.

DIRECTORS'RESPONSIBILITY STATEMENT

Your Directors hereby confirm that:

- in the preparation of statement of accounts, the applicable accounting standards have been followed, unless otherwise stated.
- the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and profit or loss of the Company for the period.
- the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.
- the Directors have prepared the accounts on a going concern basis.

CORPORATE GOVERNANCE

The Company has taken steps to comply with the mandatory provisions of clause 49 of the Listing Agreement and a separate report on Corporate Governance is enclosed.

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis forming part of this report is given separately.

FIXED DEPOSITS

The Company has not accepted/ invited any deposits from public.

PERSONNEL

None of the employees of the Company was in receipt of remuneration exceeding the limits prescribed under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO

The information required under section 217(1)(e) of the Companies Act 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, and foreign exchange earnings and outgo is given in Annexure forming part of this report.

AUDITORS

M/s. H.Khaund & Company, Chartered Accountants, Auditors of the Company will retire at the forthcoming Annual General Meeting, and being eligible, offer them for re-appointment. The Company has received a certificate from 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.

APPRECIATION

Your Directors take this opportunity to offer their sincere thanks to the Government of India, Government of Assam, AIDC, IDBI, ICICI Bank Ltd, Standard Chartered Bank, Ifci Ltd, LIC, UTI, GIC and its subsidiaries, SBI, NEDFI, Allahabad Bank, Bank of Baroda, Central Bank of India, Uco Bank, North East Frontier Railways and our valued investors for their unstinted support and assistance and look forward to their continuing support and encouragement in enabling Company to realise it's vision of brighter tomorrow and a ushering in of rapid economic development of Assam and the Northeast region.

Your Directors also wish to place on record deep appreciation of the dedicated and sincere efforts put in by the employees of the Company at all levels.

On behalf of the Board

Mumbai

M. K. Das

Date : 27th February, 2007

Chairman

ANNEXURE TO THE DIRECTORS' REPORT

ANNEXURE - 'A' CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS/OUTGO:

FORM A

(A) POWER AND FUEL CONSUMPTION

Particulars	CURRENT PERIOD	PREVIOUS PERIOD
1. Electricity:		
Purchased:		
(a) No of Units	11055197	21415320
(b) Total Amount (Rs.)	44791303	86428931
(c) Rate/Unit (Rs.)	4.05	4.04
Own Generation: Through Diesel generators		
(a) No. Of Units:	117962	15109642
(b)Unit per litre of Diesel	2.83	3.62
(c)Cost/Unit (Rs.)	7.13	5.65
Through steam turbine generation		
No. of Units:	N.A	N.A
Unit per litre of Fuel oil/Gas	N.A	N.A
Cost/Unit	N.A	N.A

2	Coal (specify quality and where used)	N.A	N.A
	Quantity:	N.A	N.A
	Total cost	N.A	N.A
	Average Rate:	N.A	N.A
3.	Furnace Oil:		
	Quantity (KL)	2021.349	6585.454
	Total Amount (Rs.)	40139362	106336960
	Average Rate (Rs)	19857.71	16054.43
3.	Steam:		
	Quantity in Tons:	20213.49	46770.337
	Total Cost: (Rs.)	40139342	60299347
	Rate per Ton (Rs)	1985.77	1289.26
	Consumption per unit of production		
	Electricity per K.G. Yarn in No of Units	1.60	1.31
	Furnace Oil (Liter)	0.29	0.13
	Coal	N.A.	N.A
	Steam in K.G. per K.G of Yarn	2.89	1.67

NOTE : The Company could produce only at very low capacity utilization due to various constraints mentioned elsewhere in the report. Secondly there were numerous stoppages of production mainly due to insufficient raw material due to shortage of working capital. Numerous start-ups resulted in inefficiency, as power consumption is very high for the same. This resulted in lower efficiency of power/steam consumption and as a result higher cost/unit of the same during period review.

STEPS TAKEN FOR ENERGY CONSERVATION:

- I. Reduction in air conditioning load by utilizing return air and duct modification.
- II. Reduction in lighting load by energy efficient ballasts and tubes.
- III. Initiating steps for utilization of existing thermic fluid heating instead of electrical heating.
- IV. Improvement in insulation to cut thermal losses.
- V. The Company has formed energy conservation committees to ensure that energy consumption of various equipments is as per norms of equipments suppliers/technical collaborator.

B. TECHNOLOGY ABSORPTION:

The technology in respect of already commissioned divisions i.e. extruder spinning of POY, batch polycondensation chips production and textile division i.e. texturising, twisting and dying of yarn is fully absorbed.

C. RESEARCH & DEVELOPMENT:

A full-fledged laboratory having state of the art instruments and equipment has been established for effective product development, technology up-gradation etc.

D. FOREIGN EARNINGS/OUTGO:

Particulars	Current Period (Rupees)	Previous Period (Rupees)
Foreign Exchange Earnings	Nil	Nil
Foreign exchange Outgo		
Capital Goods	Nil	40576501
Stores, spares and consumables	4588288	17428091
Others	197977	2289851

For and on behalf of the Board

Mumbai
Date: 27th February 2007

M. K. Das
Chairman

ANNEXURE "B" TO DIRECTORS' REPORT

EXPLANATIONS AND INFORMATION ON QUALIFICATIONS IN AUDITORS' REPORT

Para No.	Explanations
4(i)	The depreciation was not provided for three extruder spinning lines for the period of intermittent running as in this period there were negligible operations.
4(ii)	Please refer to Directors' Report para "capitalization of project cost."

- 4(iii) As a measure of conservative accounting policy interest on call money in arrears will be accounted on receipt basis.
- 4(iv) The Company is in constant touch with financial institutions, and is in settlement negotiation.
- 4(v) The Company has recovered a part of the amount and is confident of recovery of the balance.
- 4(vi) The Company is recovering deposits, advances and is confident of recovery of the balance.
- 4(viii) Reconciliation of accounts is an ongoing process with the suppliers and customers.
- 10 The Company is taking necessary steps to report erosion of Net Worth to the Board of Industrial and Financial Reconstruction (BIFR) in terms of Sick Industrial Companies (Special Provisions) Act, 1985.

Annexure

There has been delay in payment of statutory dues because the Company was operating at low capacity utilization. The Company has cleared substantial amount of statutory dues and the balance will be cleared shortly.

For and on behalf of the Board

Mumbai
Date: 27th February 2007

M. K. Das
Chairman

Management Discussion and Analysis:

You are aware that your company was incorporated in the year 1987 with the object of putting up a Polyester Yarn plant in Assam as a Joint Sector Company with equity participation of Assam Industrial Development Corporation. Polyester industry was under Industrial License era at that time. Accordingly the Company's capacity was only 15000 TPA which it was subsequently raised to 25000 TPA, which was minimum economic size at the relevant time. You are also aware that the company has faced many difficulties, which were beyond control of the management in implementing the project. The full project could be completed and production could start only in early 2003 with a capacity of 25000 TPA.

While the company was implementing its project the polyester industry came out of the license regime and existing operating units had carried out substantial expansion during that period. Members may kindly remember that directors while furnishing the last report for the period of 18 months from 1st October 2003 to 31st March 2005 have already reported the increase of capacity from 25000 TPA to 36000 TPA. Company's present capacity of 36000 TPA requires massive expansion to ensure its long-term viability independent of the Northeast Industrial Policy, which provides numerous subsidies. The expansion is further required since during the last few years Government of India has reduced the rate of excise duty on PFY. This has adversely affected the company's profitability as refund of excise duty as one of the important incentives provided under the North East Industrial Policy to encourage the industrial growth in Northeast. Keeping in view, your Company is negotiating with various financiers for funding of the expansion plan, which we have already mentioned.

Your company is operating in an industry, which has been experiencing a growth rate of 12%, which is likely to continue in coming years also. Per capita consumption of polyester in India is still far below the average consumption of developed countries. This consumption is likely to catch-up with the world average with the massive GDP growth our economy is experiencing now and which is likely to continue in coming years. Moreover new uses of polyester are emerging in various fields such as sportswear, household textiles, furnishing fabrics, automobile industry and other industrial technical applications. Moreover we are observing a phase in which capacities are being relocated in Asian countries like India and China from other parts of the world. It is estimated by 2010 more than 80% of polyester capacity will be in Asia.

Members are aware that India is becoming a favourite destination for foreign investment. Many International funds are looking for

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opportunity to finance companies, which are in distress but are potentially viable. Your company being one such unit is negotiating with some reputed foreign funds for raising funds for expansion of capacity with capability to manufacture value added products. Your directors are confident of a positive outcome of the negotiation with the foreign funds / other lenders. Looking at above positive factors in general for the industry and favourable North East Industrial policy in particular for your company your directors are confident that the company can be turned around, if the additional capacity with value added products is created. The directors have designed expansion plan for the company in two phases, Phase I will take capacity from 36000 TPA to 45000 TPA with value added products and Phase II will take the capacity from 45000 TPA to 130000 TPA. Apart from this your directors also recognize the importance of debt

restructuring of the company, and accordingly your company has offered One Time Settlement (OTS) to the Financial Institution through the CDR package approved earlier by the institution is in force.

Your directors regret to inform you that due to the current year loss the company has suffered, together with carried forward losses of earlier years the networth of the company has been eroded by more than 50 %. Thus it has become essential under the Sick Industrial Companies Special Provision Act, 1985 to report to the Board of Industrial and Financial Reconstructions about the same.

Directors are hopeful that the company will be able to achieve the OTS proposals given to the Financial Institutions. Once this is achieved erosion of networth would either be totally wiped off or would come down substantially.

Report on Corporate Governance

Management Philosophy:

Your Company's vision is far reaching befitting its status as a joint sector undertaking promoted for rapid industrial development of the state by the Government of Assam through Assam Industrial Development Corporation .PBSL is a pioneering unit of its type in the North East and corporate vision is to act as a nucleus for development of textile related industries in this region. PBSL is committed to catalyzing industrial growth in Assam by providing impetus and foundation for downstream, ancillary and related industries, which will boost employment and entrepreneurship. Corporate actions will optimize the interest of all stakeholders - shareholders, customers, employees,

suppliers and society at large. The Company has complied with stipulations laid down in clause 49 of the Listing Agreement as stated below.

Board of Directors:

Composition of the Board

The Company's Board of Directors is broad based, and meets the composition criteria. As on September 30,2006, the PBSL Board consists of eleven Directors, three of whom, including Managing Director are whole-time executive Directors. The remaining eight Directors are non- executive Directors, out eight Non Executive Directors six are nominee Directors and seven of them are independent Directors. The composition of the Board of Directors during the year ended 30th September 2006 was as under:-

Sr. No.	Name of Director	Category	Board meetings attended during the period	Whether attended last AGM	Directorships held in other Public companies incorporated in India.
1	Shri H.K. Sharma, IAS,	Chairman, Nominee of AIDC- the Promoter, Non Executive & Independent Director	-	-	12
2	Shri Niraj Verma, IAS, (a)	Chairman, Nominee of AIDC- the Promoter, Non Executive & Independent Director	5	NO	16
3	Shri. Hemant B. Vyas, *	Managing Director & whole time Director- Promoter of the Company	6	NO	-
4	Shri Devang H. Vyas, *	Whole time Director	6	Yes	-
5	Shri Samir Kumar Saha	Whole time Director	6	NO	-
6	Shri B.H. Bachkaniwala	Non Executive Director & Promoter of the Company	0	No	5
7	Shri Pritpal Singh	IDBI Nominee Non Executive Director & Independent Director	6	No	-
8	Shri Deepak Ghosh	IFCI Nominee Non Executive Director & Independent Director	1	No	2
9	Shri Deviinder Gupta	ICICI Bank Nominee. Non Executive Director and Independent Director	0	No	4
10	Shri L.Govind (b)	ICICI Bank Nominee. Non Executive Director and Independent Director	1	NO	2
11	Shri. M.K .Das	Nominee-AIDC-promoter of the Company.	5	Yes	2
12	Dr. M.K. Sinha	Non Executive Director & Independent Director	2	No	2
13	Shri M. K. Datta	LIC Nominee. Non Executive Director and Independent Director	3	No	-
14	Shri Girindra Mohan Das	Nominee- Assam State Electricity Board- Non Executive & Independent Director	3	NO	-

During the year, 6 meetings of directors were held.

Independent Director means a Director who, apart from receiving a Director's remuneration, does not have any other material pecuniary relationship or transactions with the Company, its promoters, its management, or its subsidiaries, which in the judgment of the Board may affect the independence of the judgment of the Director.

None of the Directors is a member of more than 10 Board –level committees, or a Chairman of more than five such committees, as required under Clause 49 of the listing agreement.

* Shri. Hemant B. Vyas and Shri. Devang H.Vyas are related to each other as father and son respectively.

a. Shri Niraj Verma, IAS was appointed as a Director on 18th June 2005 in place of Shri H.K.Sharma, IAS

b. Shri L.Govind was appointed as a Director on 19th January 2006 in place of Shri . Deviinder Gupta

Directors who ceased during the year

Name of Director	Category	Board meetings held during the year	Board meetings attended during the year	Whether attended last AGM	Directorships held in Public companies incorporated in India.
Shri H.K.Sharma (a)	AIDC Nominee, Non Executive Director & Independent Director	6	0	No	12
Shri Deviinder Gupta (b)	ICICI Bank Nominee Non Executive Director & Independent Director	6	0	No	2
Shri L.Govind (c)	ICICI Bank Nominee Non Executive Director & Independent Director	6	1	No	–

(a) AIDC withdrew the nomination w.e.f 18.06.2005

(b) ICICI Bank Ltd withdrew the nomination w.e.f.19.01.2006

(c) ICICI Bank Ltd withdrew the nomination w.e.f.28.06.2006

Board Meetings and Attendance

The Corporate Governance policy requires the Board to meet at least 4 times in a year with a maximum gap of 120 days between any two meetings. The details of Board Meetings held during the year are as under: -

Sr. No.	Date of Board Meeting	Board Strength	No. of Directors present
1	18th June 2005	12	8
2	14th August 2005	12	7
3	13th December 2005	12	5
4	14th March 2006	12	8
5	30th May 2006	11	8
6	27th September 2006	11	5

Board's Process

It has always been the Company's policy and practice that apart from matters requiring the Board's approval by statute, all major decisions including quarterly results of the Company as a whole and debt restructuring, capital expenditure, collaborations, material investment proposals, sale and acquisition of assets of material nature, mortgages, guarantees, donations, information on recruitment and remuneration of senior officers of the level of Deputy General Managers and above are placed before the Board. This is in addition to information with regard to actual operations, major litigation feed back reports and minutes of Committee Meetings.

The Board of PBSL is regularly presented with all information under the above heads, whenever applicable. These are submitted either as part of the agenda papers in advance of the Board meetings or are tabled in the course of the Board meetings.

Committees of the Board:

The Board of Directors has constituted three permanent committees of the Board – the Audit Committee, the Share Transfer Committee and the Shareholders/Investors Grievance Committee. The Board also constituted Remuneration Committee on ad hoc basis. The functions of various committees their mode of operation and membership details are given below.

A. Audit Committee

The Company has an Audit Committee of the Board comprising following Directors

1. Dr. M.K. Sinha Independent Director Chairman of the Audit committee.
2. Shri M.K. Das Nominee of AIDC/ Independent Director.
3. Shri M.K. Datta Nominee of LIC/ Independent Director
4. Shri Pritipal Singh, Nominee of IDBI / Independent Director

Shri S.K. Saha, Director, Finance is a permanent invitee to Audit Committee meetings.

The Audit Committee of the Company, inter alia, provides reassurance to the Board on the existence of an effective internal control environment that ensures: -

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

The Committee has powers similar to those stated in the listing agreements and exercises most of the functions in line with the requirements of the code of Corporate Governance. The details of the Audit Committee meeting held during the year 2005-2006 are as under: -

Audit Committee Meetings

Sr. No	Date of Audit Committee Meeting.	Committee Strength.	No. of Members Present.
1.	30th April 2005	4	2
2	14th August 2005	4	2
3	31st October 2005	4	2
4	31st January 2006	4	2
5	30th May 2006	4	3

Audit Committee Attendance.

Sr. No	Directors	No. of Meetings
1	Shri M.K.Das	2
2	Shri M.K.Datta	4
3	Dr.M.K.Sinha	0
4	Shri Pritipal Singh	5

The Company Secretary acts as Secretary to the Audit Committee.

B. Share Transfer Committee

The Company has a Committee of Directors titled as "Share Transfer Committee" to look into various matters pertaining to share transfer, issue of duplicate share certificates.

The members of this committee are: Shri Hemant B. Vyas, Managing Director, Shri Devang H. Vyas, Executive Director and Shri B.H.Bachkaniwala, Director. No transfers were pending on 30th September 2006.

During the year 2005 – 2006, Share Transfer Committee held 37 meetings, which were attended by Shri Hemant B. Vyas, Managing Director and Shri Devang H.Vyas, Executive Director.

Company Secretary is Compliance Officer of the Company.

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C. Shareholders' Grievance Committee:

The Board of Directors of the Company has constituted a Shareholder / Investors Grievance Committee, comprising of the following Directors. The Committee met on 30th June 2005, 3rd October, 2005, 20th April, 2006 and 15th September, 2006. Company Secretary acts as Secretary to the Committee.

Composition	Designation	No. of meetings
Shri Hemant. B.Vyas	Chairman	4
Shri Devang H.Vyas	Member	4
Dr. M.K.Sinha	Member	4

During the year under report, the Company received 103 complaints and all of them were resolved. There were no pending or unresolved complaints as on 30th September 2006

D Remuneration Committee:

The Board constituted a committee of Directors comprising Dr. M. K. Sinha, Shri M.K. Das, and Shri Pritpal Singh to recommend remuneration for Shri Hemant B. Vyas, Managing Director Shri Devang H. Vyas, Executive Director and Shri S.K. Saha, Director, Finance.

Details of Remuneration paid/ accrued/credited to the Directors during the Financial Year Ended 30th September 2006

(Rs. in '000)						
S.No.	Name of the Director	Salary	Perquisites & other benefits	Performance Bonus/Commission.	Sitting Fee	Total
1	Shri Niraj Verma, IAS (a)	-	-	-	-	-
2	Shri H.K. Sharma, IAS, (b)	-	-	-	-	-
3	Shri. Hemant B. Vyas, *	2250000	1593217	-	-	3843217
4	Shri Devang H. Vyas, *	1800000	1701724	-	-	3501724
5	Shri Samir Kumar Saha	1203750	90800	-	-	1294550
6	Shri B.H. Bachkaniwala	-	-	-	-	-
7	Shri Pritpal Singh	-	-	-	12000	12000
8	Shri Deepak Ghosh	-	-	-	1000	1000
9	Shri Deviinder Gupta (c)	-	-	-	-	-
10	Shri L.Govind (d) & (e)	-	-	-	1000	1000
11	Shri. M.K. Das	-	-	-	-	-
12	Dr. M.K. Sinha	-	-	-	3000	3000
13	Shri M. K. Datta	-	-	-	6000	6000
14	Shri Girindra Mohan Das	-	-	-	-	-

(a) Appointed as a Director w.e.f 18th June 2005

(b) Ceased to be a Director w.e.f 18th June 2005

(c) Ceased to be a Director w.e.f 19th January 2006

(d) Appointed as a Director w.e.f 19th January 2006

(e) Ceased to be a Director w.e.f 28th June 2006

* Perquisites comprise of H.R.A, Reimbursement of medical expenses and Leave Travel Assistance.

Service conditions of Wholtime Directors

- There are three Wholtime Directors employed on contract for three years from the date of appointment.
- Service of Managing Director and Executive Director is terminable by 6 months' notice on either side or salary in lieu thereof.
- Service of Director, Finance is terminable by 3 months' notice on either side or salary in lieu thereof.

Means of Communication

Annual Reports are sent to shareholders in the time prescribed under the Companies Act 1956. The quarterly results of the Company are published in English/ Regional News Papers as per the listing agreements with the Stock Exchanges. The interested members are supplied requested information promptly. The Unaudited quarterly financial results, shareholding pattern and Annual Report are placed on the web site www.sebi.gov.in in pursuant to the direction given by SEBI.

Details of last three Annual General Meetings: -

Year	Location	Date	Time
2003-2005	Hotel Brahmaputra Ashoka, Uzan Bazar, M.G Road, Guwahati 781 003	28th September 2005	4.00 p.m.
2002-2003	Hotel Brahmaputra Ashoka, Uzan Bazar, M.G Road, Guwahati 781 003	29th March 2004	4.00 p.m.
2000-2002	Hotel Brahmaputra Ashoka, Uzan Bazar, M.G Road, Guwahati 781 003	30th September 2002	4.00 p.m.

Disclosures

- There has been no non-compliance penalties/strictures imposed on the Company by stock exchange (s) or SEBI, on any matter related to capital markets, during the last three years, except for suspension of trading of company's shares for a short period from the Bombay Stock Exchange due to delay in payment of Annual Listing fees for the year 2006-2007.
- There are no materially significant related party transactions, which may have potential conflict with interests of the Company at large.
- There are no pecuniary relationships or transactions with the non - executive independent directors.

Shareholders Information

1. Annual General Meeting:-

Date : 30th March 2007

Time : 4.00 p.m.

Venue : Hotel Landmark, Dr. B. Barooah Road
Ulubari, Guwahati 781 007.

2. **Book Closure Date:** From Wednesday 21st March 2007 to Friday, 30th March, 2007 (both days inclusive)

3. Financial Calendar

Adoption of Quarterly Results Ended: -	In the
31st March 2006	Last week of May, 2006
30th June 2006	First week of August, 2006
30th September 2006	Last week of February 2007
31st December 2006	Last week of February 2007

4. Share Transfer Agent :

SHAREX INDIA PRIVATE LIMITED
17/B, DENA BANK BUILDING, 2nd Floor,
HORNIMAN CIRCLE, FORT, MUMBAI 400023.

5. Investors Correspondence

All queries of investors regarding the Company's shares in Physical/ D'mat form may be sent to Share Transfer Agent of the Company or at Company's corporate office at

the following address or at the Registered Office of the Company.

Corporate Office:

The Prag Bosimi Synthetics Ltd.
R-79/83, Lakshmi Insurance Bldg
Fifth Floor, Sir P.M. Road,
Mumbai 400 001.

Registered Office:

The Prag Bosimi Synthetics Ltd.
Rangpur Path, R.G.Barua Road,
Guwahati 781005

6. 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	Code
The Guwahati Stock Exchange Ltd.	L / 725
The Stock Exchange, Mumbai	500192
The Calcutta Stock Exchange Association Limited	10026150
The Delhi Stock Exchange Association Limited	16025
The Stock Exchange Ahmedabad.	PRAG BOSM
ISIN No.	INE962B01011

7 Shareholding Pattern of the Company as on 30th September 2006

Category	No. Of Shares held	%age of Share
A PROMOTER'S HOLDING: Indian promoters, relatives and associates	40227111	54.08
B NON- PROMOTERS HOLDING a) Mutual Funds b) Banks, Financial Institutions, Insurance Companies, Central/ State Govt. Institutions/ Non - government Institutions (including Foreign Financial Institutions)	104500 1500	0.14 0.000
C) FIIS	Nil	Nil
D) Others: - Corporates bodies Indian Public NRI Clearing Members	2096479 28633358 3269811 50201	2.82 38.49 4.40 0.07
TOTAL	74382960	100.00

8 Distribution of Share holding as on 30th September 2006

Range No. of Shares	Shareholders		Shares	
	Number	% to total holders	Numbers	% to total Capital
Upto 500	97796	94.44	13197950	17.74
501 - 1000	3059	2.95	2639933	3.55
1001- 2000	1260	1.22	2004531	2.69
2001- 3000	453	0.44	1192519	1.60
3001 - 4000	186	0.18	684006	0.92
4001 - 5000	223	0.22	1080682	1.45
5001 - 10000	247	0.24	1849495	2.49
10001 - and above	330	0.32	51733844	69.55
Total	103553	100.00	74382960	100.00

9 Share Transfer System

Share transfer in physical form are registered by the Share Transfer Agent and returned to the respective transferee within a period ranging from fifteen days to one month, provided the documents lodged with the Share Transfer Agent/ Company are clear in all respects.

10. Dematerialisation of shares

As per notification 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 September, 2000. 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 Limited (CDSL).

No. of shares Dematerialised	25805899	34.69%
No. of shareholders in D'mat form	18935	18.46%

11. Market Price Data (Rs.)

Month	Bombay Stock Exchange		Volume on BSE
	High	Low	
April 2005	6.50	4.73	369020
May 2005	6.95	4.60	948558
June 2005	9.51	5.44	3994190
July 2005	12.30	7.01	5189499
August 2005	11.00	8.15	2863615
September 2005	16.70	9.59	7963095
October 2005	10.87	6.55	1019244
November 2005	8.80	6.61	372680
December 2005	7.13	6.06	719691
January 2006	8.75	6.06	697007
February 2006	6.24	4.52	604894
March 2006	5.10	3.75	2213599
April 2006	5.89	4.34	361961
May 2006	5.38	3.80	409008
June 2006	4.21	2.76	292608
July 2006	3.59	2.86	338094
August 2006	3.55	2.57	302487
September 2006	3.21	2.50	411711
October 2006	5.16	2.66	753413
November 2006	5.00	3.58	584659
December 2006	5.58	3.50	545350
January 2007	7.81	5.01	1002820

12. Plant Location of the Company.

Bijulibari Village, P.O.Khandajan, Via Sipajhar,
Dist. Darrang 784 145

13. Bank Details

Shareholders holding shares in physical form are requested to notify/send the following to the Company to facilitate better service:-

- any change in their address/bank details, and
- particulars of their bank account, in case the same have not been sent earlier.

14. Depository Services

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

National Securities Depository Ltd.

Trade World, 4th Floor, Kamla Mills Compound,
Senapati Bapat Marg, Lower Parel Mumbai 400013
Telephone : 0091-022-24972964 - 70
Facsimile : 0091- 022-24976351
E-mail : info@nsdl.co.in
Website : www.nsdl.co.in

Central Depository Services (India) Ltd.

Phiroze Jeejeebhoy Towers,
28th Floor, Dalal Street, Mumbai 400023
Telephone : 0091-022-2723333
Facsimile : 0091-022-22723199
E-mail : info@centraldepository.com
Website : www.centraldepository.com

15 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 109 A of the Companies Act, 1956, are requested to submit to the Company the prescribed Form 2B for this purpose.

For on behalf of the Board

Mumbai:
Date 27th February 2007

Shri M.K.Das
Chairman

THE PRAG BOSIMI SYNTHETICS LIMITED

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To,

The Members of The Prag Bosimi Synthetics Limited

We have examined the compliance of conditions of corporate governance by The Prag Bosimi Synthetics Ltd. for the period ended 30th September 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 state that no investor grievance is pending for period exceeding one month against the Company as per the records maintained by the R & T Agents/ Company.

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

H.Khaund & Co.
Chartered Accountants

Place : Guwahati
Date : 2nd March, 2007

H.Khaund
Proprietor

AUDITORS' REPORT TO THE MEMBERS

To

The Members of The Prag Bosimi Synthetics Limited

1 We have audited the attached Balance sheet of the Prag Bosimi Synthetics Limited as at 30th September 2006, the Profit and Loss Account for the 18 months ended on that date and also Cash Flow Statement for the 18 months ended on that date annexed thereto. These financial statements are 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 the 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, issued by the Central Government in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (hereinafter referred to as the "Act"), we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said order, to the extent applicable.

4 Further to our comments in the Annexure referred to in paragraph 3 above and subject to the following,

- i. *Non-provision of depreciation on three Extruder Spinning Lines amounting to Rs.33,894,157/- in earlier years due to which Fixed Assets are higher by and debit balance of Profit & Loss Account is lower by Rs. 33,894,157/- as referred to in Note No. 5 of Schedule 18;*
- ii. *Non-capitalization of interest on loans, related pre-operative expenses on commencement of commercial production of Textile Division and three Extruder Spinning Lines and the consequent non-provision of depreciation thereon, the amounts whereof are not ascertained and non-charging of interest on loans and certain other expenses to the Profit & Loss Account in respect of the aforesaid machineries after commencement of commercial production which are instead carried forward in capital work-in-progress, the impact whereof is not ascertained as referred to Note No.6 of Schedule 18;Consequently the Company has not carried out any exercise to ascertain whether there has been any impairment of assets as required by accounting standard (AS) 28.*

iii. *Accounting of interest recoverable on calls-in-arrears on equity shares as and when received as referred to in Note No. 7 of Schedule 18;*

iv. *Non-confirmation/non-reconciliation of dues of Financial Institutions as referred to in Note No.8 of Schedule 18;*

v. *Non-provision of Bills of Exchange, which have become long overdue for payment as referred to in Note No.10 of Schedule 18 .*

vi. *Non-Provision of amounts recoverable from certain parties on account of accommodation deposits, security deposits, advances given to suppliers/ex-employees, etc. which have become long overdue for payment, as referred to in Note No. 11 of Schedule 18;*

vii. *The Financial Statements have been prepared in accordance with the fundamental accounting assumption that the company is a going concern.*

viii *Sundry debit/credit balances are subject to confirmation pending reconciliation as referred to in Note No.20 of Schedule 18;*

we report that:-

- a. We have obtained all information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our Audit.
- b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those Books.
- c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- d. 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 Act, to The extent applicable.
- e. On the basis of written representations received from directors as on 30th September 2006, and taken on record by the Board of Directors, wherever applicable, we report that none of the directors is disqualified as on 30th September 2006 from being appointed as a director of the Company in terms of clause (g) of sub-section (1) of section 274 of the Act.
- f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with 'significant accounting policies and notes to accounts' in schedule 18 and other notes appearing elsewhere in the accounts, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. In the case of the Balance Sheet, of the state of affairs of the Company as at 30th September 2006;
 - ii. In the case of the Profit and Loss Account of the loss of the Company for the period ended on that date; and

- iii the case of the Cash Flow Statement, of the cash flows for the Period ended on that date.

H.Khaund & Co.
Chartered Accountants

Place : Guwahati
Date : 2nd March, 2007

H.Khaund
Proprietor

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF AUDITORS'REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th SEPTEMBER 2006 OF THE PRAG BOSIMI SYNTHETICS LIMITED.

On the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of audit, we state that:

- 1 a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets
- b) The assets have been physically verified by the management in accordance with the phased programme of verification adopted by the Company. In our opinion, the frequency of the verification is reasonable having regard to the size of the Company and nature of fixed assets. No material discrepancies have been noticed in respect of the assets physically verified during the year.
- c) No substantial part of the fixed assets has been disposed off during the year.
- 2 a) The inventory has been physically verified by the management at reasonable intervals during the year. Inventory lying with the third parties and in transit have been verified by the management with reference to the confirmation received from them and/or subsequent receipt of goods.
- b) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between physical stocks and book records were not material.
- 3 a) The Company has not granted any loans, secured or unsecured to companies firms or parties covered in the register maintained under section 301 of the Act.
- b) 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 Act.
- 4 In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources do not exist for obtaining comparable quotation there are 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 and services. During the course of our audit, no major weakness has been noticed in the internal control system.
- 5 a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
- b) According to the information and explanation given to us, no transactions were made with parties whose names are entered in the register maintained under section 301 of the Act.
- 6 No deposits within the meaning of Section 58A or any other relevant provision of the Act and Rules framed there under have been accepted by the Company.
- 7 In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
- 8 We have broadly reviewed the cost records maintained by the Company pursuant to the Order of the Central

Government under section 209(1)(d) of the Act and are of the opinion, prima facie, the prescribed records have been made and maintained. We are, however, not required to make detailed examination of the records with a view to determine whether they are accurate or complete.

- 9 Due to suspension of production for prolonged period and partial working of plant due to non-sanction of working capital, the Company could not make complete statutory payments. After commencement of production in substantial part of the plant after tie up of working capital, the Company started making payment of part of the arrears together with current dues, leaving following undisputed amounts outstanding for more than six months as on 30th September 2006

The Act applicable	Details of outstanding amount	Amount Rupees in Lacs
Employees Provident Funds and Miscellaneous Provisions Act 1952	Contribution to Provident Fund	47.28
The Assam Sales Tax Act.	Assam Sales Tax	4.88
The Assam Professions, Trades, Callings and Employments Taxation Act 1947	Professional Tax	7.28
The Income Tax Act 1961	Tax Deducted at Source	48.7
The Income Tax Act 1961	Fringe Benefits Tax	05.92

Of the above, the Company has paid contribution to Provident Fund Rs.8.26 lacs, Professional Tax Rs.0.17 and Tax Deducted at source Rs.8.45 Lacs as on the date of this report.

- 10 The Company has accumulated losses of Rs.40.62Crores and Miscellaneous Expenditure not written off Rs. 4.09 Crores as at 31st March 2005. It has incurred loss of Rs.38.21Crores during the financial year. Its accumulated loss at the end of the financial year is more than 50% of its net worth as per books of account. The Company requires to report such erosion of Net Worth to the Board of Industrial and Financial Reconstruction (BIFR) in terms of Sick Industrial Companies (Special Provisions) Act, 1985.
- 11 The Company has been granted relief and concessions by the financial institutions in the past and company's case is still in CDR Cell. Hence there are no defaults to report at the end of the year.
- 12 During the year, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
- 13 The Company is not a dealer or trader in shares, securities, debentures and other investments.
- 14 In our opinion and according to information and explanations given to us, the Company has not given guarantee for loans taken by others from Banks or financial institutions.
- 15 According to the information and explanation given to us, in our opinion, the term loans were applied for the purpose for which they were raised.
- 16 According to the information and explanation given to us, in our opinion, funds raised on short term basis have not been used for long term basis or vice versa.
- 17 During the year, the Company has not made any preferential allotment of shares to the parties and companies covered and recorded in the Register maintained under section301 of the Act
- 18 The Company has created securities in respect of debentures issued in the past.
- 19 The Company has not raised any money by way of public issue during the year.
- 20 During the year no fraud on or by the Company has been noticed or reported during the course of our audit.

H.Khaund & Co.
Chartered Accountants

Place : Guwahati
Date : 2nd March, 2007

H.Khaund
Proprietor

THE PRAG BOSIMI SYNTHETICS LIMITED

BALANCE SHEET AS AT 30TH SEPTEMBER, 2006

PARTICULARS	SCHEDULE	AS AT 30 th September 2006 Rupees	AS AT 31 st March 2005 Rupees
SOURCES OF FUNDS			
SHAREHOLDER'S FUNDS			
Share Capital	1	1,555,328,300	1,555,025,300
Reserve and Surplus	2	16,700,000	16,700,000
LOAN FUNDS	3		
Secured Loans		7,293,977,385	7,051,290,437
Unsecured Loans		111,085,197	108,877,997
TOTAL		8,977,090,882	8,731,893,734
APPLICATION OF FUNDS			
FIXED ASSETS	4		
Gross Block		811,445,343	808,299,607
Less: Depreciation		374,718,301	320,885,709
Net Block		436,727,042	487,413,898
CAPITAL WORK-IN-PROGRESS	5	7,506,351,339	7,348,374,974
TOTAL FIXED ASSETS		7,943,078,380	7,835,788,872
INVESTMENTS	6	600	600
CURRENT ASSETS, LOANS & ADVANCES	7		
Inventories		81,603,867	344,295,156
Sundry Debtors		46,059,458	108,369,528
Cash & Bank Balances		15,015,832	15,891,990
Other Current Assets		16,757,278	19,281,806
Loans & Advances		307,385,326	217,701,547
		466,821,761	705,540,027
LESS: CURRENT LIABILITIES AND PROVISIONS	8	255,251,043	256,561,287
NET CURRENT ASSETS		211,570,718	448,978,740
MISCELLANEOUS EXPENDITURE	9	34,088,930	40,906,717
(to the extent not written off or adjusted)			
Profit & Loss Account		788,352,254	406,218,805
TOTAL		8,977,090,882	8,731,893,734

As per our Report of even date

For H. KHAUND & CO.
Chartered Accountants

H. KHAUND
Proprietor

Guwahati
Date : 2nd March, 2007

For and on behalf of the Board

M. K. Das
Hemant B. Vyas
Devang H. Vyas
S. K. Saha
Dr. M. K. Sinha
Pritpal Singh
M. K. Dutta

Chairman
Managing Director
Executive Director
Finance Director

Directors

Mumbai,
Date : 27th February, 2007

PROFIT AND LOSS ACCOUNT FOR THE EIGHTEEN MONTHS PERIOD ENDED 30TH SEPTEMBER, 2006

PARTICULARS	SCHEDULE	For the eighteen months	For the eighteen months
		period ended 30th September, 2006 Rupees	period ended 31st March, 2005 Rupees
INCOME			
Sales		744,422,535	2,453,581,934
Other Income	10	140,485,442	373,051,402
Increase/(Decrease) in stock	11	(198,296,756)	(8,221,000)
TOTAL		686,611,221	2,818,412,336
EXPENDITURE			
Cost of Materials	12	466,219,829	1,460,532,926
Manufacturing Expenses	13	108,855,205	361,472,830
Salaries,Wages&Other Employee Benefits	14	75,294,304	91,273,934
Selling & Distribution Expenses	15	106,940,054	187,019,288
Other Expenses	16	77,975,840	78,036,526
Excise Duty		89,853,692	500,956,398
Interest	17	79,978,218	96,371,539
TOTAL		1,005,117,142	2,775,663,441
PROFIT / (LOSS)			
Profit/(Loss) Before Depreciation & Tax		(318,505,921)	42,748,895
Depreciation		54,847,437	54,810,016
Net Profit/(Loss)		(373,353,358)	(12,061,121)
Provision for Taxation		-	-
Profit/(Loss) After Tax & Depreciation		(373,353,358)	(12,061,121)
Prior Period Net Expenses		(8,780,090)	(2,025,705)
Profit/(Loss) After Tax & Adjustments		(382,133,448)	(14,086,826)
Balance Brought from Earlier Year		(406,218,805)	(392,131,979)
Surplus/(Deficit) Carried to Balance Sheet		(788,352,254)	(406,218,805)
NOTES TO ACCOUNTS & SIGNIFICANT ACCOUNTING POLICIES			
	18		

As per our Report of even date

For H. KHAUND & CO.
Chartered Accountants

H. KHAUND
Proprietor

Guwahati
Date : 2nd March, 2007

For and on behalf of the Board

M. K. Das
Hemant B. Vyas
Devang H. Vyas
S. K. Saha
Dr. M. K. Sinha
Prithpal Singh
M. K. Dutta

Mumbai,
Date : 27th February, 2007

Chairman
Managing Director
Executive Director
Finance Director

} Directors

THE PRAG BOSIMI SYNTHETICS LIMITED

SCHEDULES TO ACCOUNTS ATTACHED TO AND FORMING PART OF THE BALANCE SHEET

PARTICULARS	AS AT	AS AT
	30th September 2006 Rupees	31st March 2005 Rupees
SCHEDULE - 1		
SHARE CAPITAL		
AUTHORISED CAPITAL		
12,00,00,000 Equity Shares of Rs.10/- each	1,200,000,000	1,200,000,000
10,00,000 Cumulative Preference Shares of Rs.100/-each	100,000,000	100,000,000
9,00,000 Redeemable Cumulative Convertible Preference Shares of Rs.100 each	900,000,000	900,000,000
3,00,000 Unclassified Shares of Rs.100/-each	300,000,000	300,000,000
	<u>2,500,000,000</u>	<u>2,500,000,000</u>
ISSUED, SUBSCRIBED & PAID UP		
74,382,960 (Previous Year 74,382,960) Equity shares of Rs. 10/- each, fully paid-up	743,829,600	743,829,600
Less: Calls in Arrears - Others	3,126,300	3,429,300
(A)	<u>740,703,300</u>	<u>740,400,300</u>
10,00,000 (Previous year 10,00,000) Cumulative Convertible Preference Shares of Rs. 100/-each fully paid-up [Refer Note No.15] [Schedule 18]	(B) 100,000,000	100,000,000
71,46,250 (Previous Year 71,46,250) Redeemable Cumulative convertible Preference Shares of Rs.100/-each, fully paid-up (Of the above shares 4,276,250 shares (Previous year 4,276,250) are allotted as fully paid-up pursuant to a contract without payments being received in cash.) [Refer Note No.15] [Schedule 18]	(C) 714,625,000	714,625,000
TOTAL [A + B + C]	<u>1,555,328,300</u>	<u>1,555,025,300</u>
SCHEDULE - 2		
RESERVES AND SURPLUS		
Capital Subsidy	16,700,000	16,700,000
TOTAL	<u>16,700,000</u>	<u>16,700,000</u>
SCHEDULE - 3		
LOAN FUNDS		
SECURED LOAN		
NON CONVERTIBLE DEBENTURES [Refer note No.16(a)to 16(c)] [Schedule 18]	725,798,000	725,798,000
TERM LOANS		
Rupee Loan from Financial institutions [Refer note No.9 and Note No.16(a)to 16(c)] [Schedule 18]	2,129,410,621	2,129,410,621
DEFERRED INTEREST	3,803,070,535	3,651,912,795
FROM BANKS		
Working Capital Term Loan [Refer note No.16(f)&16(g)] [Schedule 18]	142,500,000	142,500,000
Funded Interest Term Loan [Refer note No.16(h)] [Schedule 18]	171,157,526	174,400,517
Cash Credit	321,881,959	226,592,509
FROM OTHERS		
Hire Purchase Loan	158,745	675,995
TOTAL	<u>7,293,977,385</u>	<u>7,051,290,437</u>

SCHEDULE - 3 Contd.

PARTICULARS	AS AT 30th September 2006 Rupees	AS AT 31st March 2005 Rupees
UNSECURED LOAN		
From AIDC Ltd. [Refer Note No (i)] [Schedule 18]	28,000,000	28,000,000
From IDBI	2,207,200	-
From Others	80,877,997	80,877,997
TOTAL	111,085,197	108,877,997

NOTES

- A. SECURED DEBENTURES: The debentures are secured by First legal mortgage in favour of the trustees of all the company's immovable and moveable properties present and future, ranking pari-passu with the mortgages and charges created and/or to be created in favour of Financial Institutions, and floating charge on all the assets of the company subject to prior charges created/to be created in favour of Company's Bankers on the Company's stock of raw material, semi-finished and finished goods, consumable stores and such other moveables as may be agreed by the trustees for securing the borrowing for working capital requirement in the ordinary course of business and also secured by a guarantee from the Bombay Silk Mills Limited.
- B. TERM LOANS: The Term Loans are secured by a first mortgage of all immovable properties, both present and future, and first charge by way of hypothecation of all movables (save and except debts) including movable machinery, spares, tools & accessories, present and future, ranking pari-passu with the mortgages and charges created and/or to be created in favour of Financial Institutions/debenture trustees, subject to prior charges created and/or to be created in favour of Bankers on stocks, stores and such other movables for working capital requirements and also secured by a guarantee from The Bombay Silk Mills Limited.
- C. WORKING CAPITAL: Working Capital demand loans and Cash Credit are secured by a mortgage on second charge basis by deposit of title deeds in respect of Company's immovable properties, both present and future, and by hypothecation of whole present and future, stock in process, finished goods, consumables, spares, book debts etc. & other materials and stores whether raw or in process of manufacture and all articles manufactured therefrom whether stored at or be in or about the Company's godowns or premises at Sipajhar, District Darrang, Assam or wherever else or in transit and Company's present and future book debts, outstanding money receivables, claims, bills, contracts, engagements, securities, investments, and assets, and also personal guarantee of the Managing Director.
- D. OTHERS: Hire purchase loans are secured by hypothecation of vehicles purchased their against.

SCHEDULE - 4 FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS AT 31-Mar-05	DURING THE 18 MTH PERIOD ENDED 30.09.2006		AS AT 30-Sep-06	UPTO 31-Mar-05	FOR THE 18 MTH PERIOD ENDED 30.09.2006		UPTO 30-Sep-06	AS AT 30-Sep-06	AS AT 31-Mar-05
		ADDITION	DELETION			PROVIDED	WRITTEN BACK			
LAND FREE HOLD	578,617			578,617					578,617	578,617
LAND LEASE HOLD *	599,678			599,678	60,000	60,000		120,000	479,678	539,678
BUILDING	273,735,957			273,735,957	77,624,942	13,591,755		91,216,697	182,519,260	196,111,015
PLANT & MACHINERY	513,368,332			513,368,332	231,224,072	39,203,831		270,427,903	242,940,429	282,144,260
COMPUTER	3,550,174			3,550,174	2,482,334	408,692		2,891,026	659,148	1,067,840
VEHICLE	6,037,064		1,608,182	4,428,882	2,416,213	549,084	1,074,845	1,890,452	2,538,430	3,620,851
FURNITURE & FIXTURE	10,429,785	4,753,918		15,183,703	7,078,148	1,094,075		8,172,223	7,011,480	3,351,637
TOTAL	808,299,607	4,753,918	1,608,182	811,445,343	320,885,709	54,907,437	1,074,845	374,718,301	436,727,041	487,413,898
PREVIOUS YEAR	812,043,289	9,601,986	13,345,668	808,299,607	271,067,623	54,870,016	5,051,930	320,885,709	487,413,898	
CAPITAL WORK IN PROGRESS									7,506,351,339	7,348,374,974
TOTAL FIXED ASSETS									7,943,078,380	7,835,788,872

* Amortisation of leasehold Land Rs.60000/-

THE PRAG BOSIMI SYNTHETICS LIMITED

PARTICULARS	INCURRED DURING THE EIGHTEEN MONTHS PERIOD Rupees	AS AT 31st March 2005 Rupees	AS AT 30th Sep 2006 Rupees
SCHEDULE- 5			
CAPITAL WORK-IN-PROGRESS			
A) WORK-IN-PROGRESS			
Land & Site Development	67,410	47,680,210	47,747,620
Buildings & Civil work under Construction	365,714	327,476,417	327,842,131
Plant & Machinery	6,052,163	1,843,556,553	1,849,608,716
Payment to Collaborator for Technical	-	146,100,715	146,100,715
Engineering Consultancy Fees	-	18,164,548	18,164,548
Less: Capitalised during the year	-	(769,720,708)	(769,720,708)
TOTAL (A)	6,485,287	1,613,257,735	1,619,743,021
B) ADVANCES/DEPOSITS FOR FIXED ASSETS			
	-	102,373,347	102,373,347
C) PRE-OPERATIVE EXPENSES PENDING ALLOCATION			
(i) PAYMENT TO EMPLOYEES			
Salary,Wages & Bonus	-	121,931,320	121,931,320
Staff Welfare Expenses	-	28,305,371	28,305,371
Contribution to Provident Fund & Other Funds	-	8,329,644	8,329,644
Managerial Remuneration	-	9,781,909	9,781,909
	-	168,348,244	168,348,244
(ii) ADMINISTRATIVE EXPENSES			
Rent	-	23,003,632	23,003,632
Rates & Taxes	-	728,319	728,319
Power & Fuel	-	86,090,480	86,090,480
Legal & Professional Fees	-	39,080,099	39,080,099
Repairs & Maintenance :			
- Building	-	8,828,822	8,828,822
- Plant & Machinery	-	12,862,289	12,862,289
- Others	-	22,227,996	22,227,996
Travelling & Conveyance	-	51,354,227	51,354,227
Insurance	-	62,586,736	62,586,736
Postage, Telephone & Telex	-	30,961,355	30,961,355
Vehicle Maintenance	-	31,705,093	31,705,093
Auditor's Remuneration	-	1,055,543	1,055,543
Director's Sitting Fees	-	117,057	117,057
Miscellaneous Expenses	-	62,742,537	62,742,537
Depreciation	-	18,115,315	18,115,315
Stores,Spare & Consumables	-	11,328,206	11,328,206
	-	462,787,706	462,787,706
Raw Material Consumption :-	-	261,180,975	261,180,975
	-	723,968,681	723,968,681
Less:			
1) Transfer of Stock produced during			
Trial Run to textile division	-	(239,690,886)	(239,690,886)
2) Sale of Wastages during trial run	-	(419,786)	(419,786)
	-	483,858,009	483,858,009

SCHEDULE - 5 Contd.

PARTICULARS	INCURRED DURING THE EIGHTEEN MONTHS PERIOD Rupees	AS AT 31st March 2005 Rupees	AS AT 30th Sep 2006 Rupees
(iii) FINANCE CHARGES			
Commitment Charges	—	21,220,924	21,220,924
Bank Charges & Financial Institution Charges	—	41,368,560	41,368,560
Interest on Debentures	12,746,050	251,042,068	263,788,118
Interest on Fixed Loan	—	4,435,249,398	4,435,249,398
Interest to Others(RCCP)	138,411,691	315,944,925	454,356,616
Foreign Exchange Rate Fluctuation	—	25,056,413	25,056,413
Loss on sale of Investments (net)	—	8,543,252	8,543,252
Loss on sale of Assets	333,337	479,721	813,058
Less: Interest Recd From Banks & Others (TDS Rs.NiL Previous Year Rs.NiL)	—	(113,186,995)	(113,186,995)
Interest on Securities	—	(3,348,675)	(3,348,675)
Dividend on Shares	—	(75,035)	(75,035)
	<u>151,491,078</u>	<u>4,982,294,556</u>	<u>5,133,785,634</u>
TOTAL (i + ii + iii)	<u>151,491,078</u>	<u>5,634,500,809</u>	<u>5,785,991,887</u>
Less: Other Income	—	(1,756,917)	(1,756,917)
TOTAL (C)	<u>151,491,078</u>	<u>5,632,743,892</u>	<u>5,784,234,970</u>
TOTAL (A + B + C)	<u>157,976,365</u>	<u>7,348,374,974</u>	<u>7,506,351,339</u>

PARTICULARS	AS AT 30th September 2006 Rupees	AS AT 31st March 2005 Rupees
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SCHEDULE - 6

INVESTMENT (AT COST)

LONG TERM INVESTMENTS

UNQUOTED

20 Shares of Rs.30 each of Bombay Merchantile Co-op Bank Ltd.

TOTAL	<u>600</u>	<u>600</u>
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SCHEDULE - 7

CURRENT ASSETS, LOANS & ADVANCES

A. Inventories (As taken, valued, verified and certified by the management)

At lower of Cost or Net Realisable Value:

Finished Goods	11,258,138	173,974,262
Other Stocks (At Cost) :-		
Raw Materials	6,139,399	74,703,394
Stores, Spares and Chemicals	60,830,462	56,661,000
Materials in Process	3,375,868	38,956,500
	<u>81,603,867</u>	<u>344,295,156</u>

THE PRAG BOSIMI SYNTHETICS LIMITED

SCHEDULE - 7 Contd.

PARTICULARS	AS AT 30th September 2006 Rupees	AS AT 31st March 2005 Rupees
B. Sundry Debtors		
Unsecured & Considered Good		
More than six months	79,206,090	16,284,729
Others	—	107,589,242
Less: Provision for Doubtful Debts	(33,146,631)	(15,504,443)
	<u>46,059,458</u>	<u>108,369,528</u>
C. Cash and Bank Balances		
Cash in hand	641,968	140,406
Bank Balance - Current Accounts	19,801	464,562
Fixed Deposits	14,354,064	15,235,766
Interest Accrued on Deposit	—	51,256
	<u>15,015,832</u>	<u>15,891,990</u>
D. OTHER CURRENT ASSETS	<u>16,757,278</u>	<u>19,281,806</u>
E. LOANS & ADVANCES		
Bills of Exchange	24,226,893	24,226,893
Advances recoverable in cash or in kind or for value to be received	281,598,723	175,585,405
Balance with Customs & Central Excise	137,933	69,314
Excise duty refund receivable	—	16,446,136
Advance Payment of Taxes	1,421,777	1,373,799
	<u>307,385,326</u>	<u>217,701,547</u>
TOTAL	<u>466,821,761</u>	<u>705,540,027</u>

SCHEDULE - 8

CURRENT LIABILITIES & PROVISIONS

A. LIABILITIES

Bills of Exchange	144,322,055	153,078,100
Sundry Creditors	7,048,342	66,785,391
Advance Received from Customers	1,560,000	1,560,000
Other Liabilities	96,077,757	29,871,842
Total (A)	<u>249,008,154</u>	<u>251,295,333</u>

B. PROVISIONS

For Gratuity	6,242,889	5,265,954
Total (B)	<u>6,242,889</u>	<u>5,265,954</u>
Total (A) + (B)	<u>255,251,043</u>	<u>256,561,287</u>

SCHEDULE - 9

MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

Preliminary Expenses	5,503,250	5,503,250
Share Issue Expenses	39,948,657	39,948,657
	<u>45,451,907</u>	<u>45,451,907</u>
Less: Preliminary Exp Written off	1,375,813	550,325
Less: Share Issue Exp Written off	9,987,164	3,994,865
TOTAL	<u>34,088,930</u>	<u>40,906,717</u>

SCHEDULES TO ACCOUNTS ATTACHED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT

PARTICULARS	For the eighteen months period ended 30th September, 2006 Rupees	For the eighteen months period ended 31st March, 2005 Rupees
SCHEDULE - 10		
OTHER INCOME		
Excise duty refund	22,429,678	261,268,409
Others	118,055,764	111,782,993
TOTAL	140,485,442	373,051,402
SCHEDULE - 11		
INCREASE/(DECREASE) IN STOCK		
(A) OPENING STOCK		
Materials in Process	38,956,000	26,697,000
Finished Goods	173,974,262	197,026,966
Less: Purchase Return	-	(2,572,704)
	212,930,262	221,151,262
(B) CLOSING STOCK		
Materials in Process	3,375,368	38,956,000
Finished Goods	11,258,138	173,974,262
	14,633,506	212,930,262
INCREASE/(DECREASE) IN STOCK (B-A)	(198,296,756)	(8,221,000)
SCHEDULE - 12		
COST OF MATERIALS		
Opening Stock	74,703,894	81,660,000
Add: Purchases		
Raw Material	397,398,514	1,449,638,522
Trading Material	257,319	3,938,298
	472,359,727	1,535,236,820
Less: Closing Stock	6,139,899	74,703,894
TOTAL	466,219,829	1,460,532,926
SCHEDULE - 13		
MANUFACTURING EXPENSES		
Consumption of Stores, Dyes & Chemicals	17,530,942	83,337,462
Power & Fuel	91,324,263	278,135,368
TOTAL	108,855,205	361,472,830

THE PRAG BOSIMI SYNTHETICS LIMITED

PARTICULARS	For the eighteen months period ended 30th September, 2006 Rupees	For the eighteen months period ended 31st March, 2005 Rupees
SCHEDULE - 14		
SALARIES, WAGES & OTHER EMPLOYEE BENEFITS		
Salaries,Wages & Bonus	57,415,773	71,402,658
Managerial Remuneration	8,639,492	8,466,686
Contribution to PF & FPF	3,191,945	4,302,821
Staff Welfare Expenses	6,047,094	7,101,769
TOTAL	75,294,304	91,273,934
SCHEDULE - 15		
SELLING & DISTRIBUTION EXPENSES		
Brokerage,Cash Discount & Commission	57,596,568	50,420,674
Clearing,Forwarding & Packing Charges	22,436,055	59,363,039
Carriage Outward	26,907,432	77,235,575
TOTAL	106,940,054	187,019,288
SCHEDULE - 16		
OTHER EXPENSES		
Rent,Rates & Taxes	5,649,702	6,290,491
Repair & Maintenance - Plant	—	3,232,062
Repair & Maintenance - Others	3,125,592	4,272,311
Travelling & Conveyance	5,488,291	11,629,173
Vehicle Expenses	5,121,380	7,333,531
Printing & Stationery	845,920	1,969,006
Postage,Telegram,Telephone,Telex	2,648,936	3,930,406
Legal & Professional Fees	3,914,441	8,170,809
Insurance	12,125,385	7,964,273
Other Expenses	7,291,613	14,620,536
Auditor's remuneration	112,500	125,000
Amortisation of Preliminary/Shares Issue Exp	6,817,786	4,545,190
Amortisation of Leasehold Land	60,000	60,000
Provison for Doubtful Debts	24,774,295	—
Loss on Destruction of Asset	—	3,893,738
TOTAL	77,975,840	78,036,526
SCHEDULE - 17		
INTEREST		
INTREST & FIANANCIAL CHARGES	80,178,559	98,937,092
Less: Interest Received (TDS Rs.101255/- Previous year Rs.510675/-)	200,341	2,565,553
TOTAL	79,978,218	96,371,539

SCHEDULE ATTACHED TO AND FORMING PART OF THE ACCOUNTS**SCHEDULE - 18****SIGNIFICANT ACCOUNTING POLICIES & NOTES FORMING PART OF ACCOUNTS****1. Significant Accounting Policies:****(a) System of Accounting:**

The Company adopts the accrual concept in the preparation of accounts based on historical cost convention.

(b) Fixed Assets:

Fixed Assets are stated at cost.

(c) Depreciation:

(i) Depreciation on fixed assets is provided on straight-line method at the rates and in the manner specified in schedule XIV to the Companies Act, 1956.

(ii) Depreciation on additions/deductions during the year has been provided on pro-rata basis with reference to the month of addition/deduction.

(iii) Leasehold land is amortized over the unexpired lease period in equal installments in accordance with the practice introduced from last accounting period (01.10.03 To 31.03.05).

(d) Expenditure during construction period :

All expenditure related to the project construction/implementation and income arising out of project activities and funds related to the project are shown under capital work-in-progress and the same will be allocated to the respective fixed assets on expenses/interest becoming final on finalization of CDR package.

Consequently impact of Accounting standard (AS) 28, regarding impairment of assets if any will be carried out after finalization of CDR Package.

(e) Investments:

Long-term investments are stated at cost.

(f) Inventories:

Inventories are valued as under:

(a) Raw materials, stores, spares, consumables and construction materials: At lower of cost or net realizable value

(b) Materials in process: At lower of cost or net realizable value

(c) Finished Goods: At lower of cost or net realizable value.

(g) Retirement benefits:

Provision for gratuity liability to employees is made on the basis of actuarial estimate. Provision of Rs.5,00,000 is made for leave encashment during the current period as was done in the last accounting period though the same was treated on actual payment basis earlier.

(h) Transactions of foreign currency items:

Transactions in foreign currency are recorded at the rate of exchange in force at the date of transaction. Foreign currency assets and other liabilities other than for financing fixed assets are stated at the rate of exchange prevailing at the year-end and resultant gains/losses are recognized in the capital work in progress. Foreign currency loans for financing fixed assets (other than those where the company is protected against exchange fluctuations) are accounted for at the rate of exchange prevailing at the year end and the resultant exchange difference is adjusted to the cost of assets.

(i) Government Grants:

a) Revenue grants are recognized in the profit & loss account.

b) Capital grants relating to specific fixed assets are shown under capital reserve.

(j) Preliminary and share issue expenses:

Preliminary and share issue expenses are written off in 10 equal installments in accordance with the Practice introduced from last accounting period.

(k) Provision for taxation:

No provision for taxation is required since profits and gains of units in Assam are tax free under the Income Tax Act 1961.

(l) Contingent liabilities:

Contingent liabilities not provided for in accounts are disclosed by way of notes.

(m) The interest for the current period on the borrowing for the project and Working capital is provided as per CDR package.

2. Contingent liabilities not provided for:

	As At 30th September 2006 Rs.	As At 31st March 2005 Rs.
i. Counter Guarantees for Sales tax	5000	5,000
ii. Dividend payable on Cumulative Convertible Preference Shares	15,32,72,913	15,32,14,863
iii. Claims against the company not acknowledged as debts	1,83,23,801	1,83,23,801
iv. Letter of undertaking executed in favour of Joint Director General of foreign trade under Duty Exemption Entitlement Scheme (Advance License Scheme) for custom duty	1,30,40,682	1,30,40,682
v. Letters of credit and Bank Guarantees given by bankers on behalf of the Company.	52,50,000	15,12,81,000

3. No provision for deferred taxation is required pursuant to Accounting Standard AS-22 since the Company's income from business is fully exempt from tax under section 801C of the Income Tax Act 1961.

THE PRAG BOSIMI SYNTHETICS LIMITED

4. Estimated amount of contracts remaining to be executed on capital account net of advances is Rs. 2,66,85,369/- (Previous Year Rs. 2,52,05,036/-)
5. The Company had commenced production on three extruder-spinning lines of the POY division in 1995. However, due to technical difficulties, the production was irregular. Regular Production on these three Extruder Spinning lines commenced in earlier years after modifications and corrections in the mechanical set-up of the equipments as required for production. Accordingly the machineries and related equipments have been capitalized during the year 1996 - 97 at their equipment cost amounting to Rs.58, 72,05,601/- and consequential depreciation on such capitalized assets has been provided only from the commencement of commercial production. The Company had not provided depreciation on these equipments from the date of regular production up to the date of commercial production amounting to Rs.3, 38,94,157/- (Previous year Rs.3, 38,94,157/-). As a result the fixed assets as at the year-end are higher by Rs.3, 38,94,157/- and debit balance in Profit & Loss account is lower by Rs.3, 38,94,157/-.
6. The Company has capitalized the cost of the machineries and related equipments on the basis of the cost of machineries and related equipments in respect of Textile Division and of Extruder Spinning Lines, which started production in earlier years. However interest on loans, related preoperative expenses, excise duty on capital goods, etc. relating to these machineries and related equipments will be allocated on finalization of cost of project on finalization of CDR package. Hence depreciation provided on these assets and loss for the year is lower and Capital Work in Progress is higher by amount, which is not ascertained.

Interest on loans applicable on the aforesaid machineries and related equipments after the commencement of production has not been considered in the Profit & Loss account during the earlier and current year and to that extent the depreciation and loss is lower and Capital Work in Progress is higher by amounts, which are not ascertained.

According to expert opinion taken by the Company, deferment of capitalization of above items including interest is justified till pending issues with lenders are resolved since capitalization can not be done in a piecemeal manner.
7. Interest recoverable on calls in arrears on equity shares is recognized as and when realized, as a measure of conservative accounting policy.
8. The Company has given effect of CDR package and relief's and concessions granted by IDBI, lead institution in the accounts of all term lenders. The dues of Financial Institutions are not confirmed or reconciled since sanction letters for relief's and concessions/approval of CDR package are pending from some of them, though the CDR package has been approved by CDR Empowered Group. The Company has submitted the statement of accounts to various Financial Institutions.
9. Since foreign currency loans have been paid by the financial institutions liability crystallized in rupees has been disclosed under rupee loans.
10. The Overdue bills of exchange of Rs.2,42,26,893/- (Previous year Rs. 2,42,26,893/-) are considered realizable since the

company has entered into arrangement with major drawee of Bills of Exchange whose original outstanding balance was Rs.4, 51,55,262/-, for repayment and has obtained order from the Special Court appointed under the Special Court (Trial of Offences relating to Transactions & Securities) Act, 1992.

11. Loans and Advances include Rs.1,14,74,98,297 (Previous Year Rs 1,15,55,00,300) overdue from various parties on account of accommodation deposits, security deposits, advances given to suppliers, ex-employees, etc. Compensation for delayed payment, if any, will be accounted in the books of account, if and when realized. No provision is made since the Company has recovered part of the amount and is hopeful for recovery of the balance.
12. The excise duty on finished goods not cleared is neither provided for nor is taken into consideration for valuation of stock amounting to Rs. 1,94,502/- (Previous Year Rs19,68,790/-). This has no impact on the Profit/Loss for the period.
13. No provision has been made for custom duty payable amounting to Rs. 1,24,53,475/- (Previous Year Rs.83,50,000/-) on imported capital equipments/ goods received but not cleared from the customs. This has no impact on the loss for the period.
14. a) The amount overdue and remaining unpaid to small scale/ or ancillary Industrial Suppliers on principal and/or interest as at the close of the year could not be ascertained, since information regarding status of Suppliers as defined under the Interest on Delayed Payment of Small Scale and Ancillary industrial Undertaking Act, 1993 and Section 3(i) of Industries (Development and Regulation) Act, 1951 was not available with the Company.
b) Sundry Creditors and other Liabilities in Schedule No.8 include:
i) Total outstanding dues of Small Scale Industrial undertaking Not ascertained
ii) Total Outstanding dues of Creditors other than Small Scale Industrial Undertaking Not ascertained
c) As required by notification No. GSR 129(E) dated 22.02.99 issued by the department of Company affairs, Ministry of Law, Justice and Company affairs, the total amount due to Small Scale Industries, where the unit owe a sum exceeding Rs.1, 00,000/- and same is outstanding for more than 30 days to SSI unit is not ascertained.
15. Coupon rate on Redeemable Cumulative Convertible Preference Shares (RCCPs) of Rs.28.70 crore and Cumulative Convertible Preference Shares (CCPs) of Rs.10.00 crore is reduced to 0.01 % per annum and they will be redeemed after repayment of term loans. Redemption schedule is not fixed yet. Term lenders have option to convert the preference shares into equity shares of the Company at a later date. RCCPs of Rs.42.76 crore issued on conversion of arrears of dividend will carry 0% dividend. Due to inadequacy of profit no dividend could be declared on CCPS and RCCPS carrying dividend. However dividend liability in respect such shares has been provided for as contingent liability.
16. Secured Loans:

Pursuant to sanction of Corporate Debt Restructuring package granted by CDR empowered group

- (a) Repayment of term loans (Rupee term loans, rupee tied foreign currency Loans, loans under ERAS aggregating to Rs.212.94 Crores and non convertible debentures of Rs.19.52 Crores is to be made in 120 equal monthly installments commencing from April 1,2007.
- (b) The company has provided interest in respect of loans mentioned at, (a) above in the accounts as per approved CDR package despite the fact that the company has submitted one time settlement (OTS) proposal to the financial institutions and same is under the active consideration of the institutions.
- (c) Interest on term loans (Rupee term loans, rupee tied foreign currency Loans, loans under ERAS) aggregating to Rs.212.94 Crores and non convertible debentures of Rs.19.52 Crores is reduced to give YTM rate of 8%p.a. on a ballooning basis as under:

F.Y.	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
ROI	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	14%	14%

- (d) Proposed deferred interest, existing deferred funded interest converted into non convertible debentures of Rs.53.06 crores to carry 0% interest and repaid after 2017.
- (e) Repayment schedule /treatment for the proposed deferred interest, Existing deferred /funded interest (including amounts converted by IFCI, ICICI Bank into redeemable cumulative preference shares of Rs.42.76 Crores and non-convertible debentures of Rs.53.06Crores will be decided after a review at a later date based on OTS accepted by lenders and available cash flows.

Working Capital Term Loan (WCTL), and Funded Interest Term Loan (FITL) :

- (f) Interest on WCTL has been provided in the accounts as per approved CDR Package despite OTS negotiation is under progress .
- (g) Repayment of WCTL is to be made in 120 equal monthly installments Commencing from April 1,2007.
- (h) Funded Interest Term Loan is to bear 0% interest and repayment schedule is not fixed.

Unsecured Loans:

- (i) According to CDR package unsecured loan of AIDC should be converted into equity shares of the Company. This position may alter in view of company's negotiation

with foreign lenders for financing OTS and additional capital expenditure.

17. Debenture redemption reserve will be created as and when the Company earns sufficient profits.
18. Previous Year figures have been regrouped / reclassified / rearranged wherever necessary.
19. In the opinion of the Board of Directors, in the ordinary course of business the value on realization of current assets, loans and advances, including security Deposits is at least equal to the amount at which they are stated in the Balance Sheet.
20. Sundry debit and credit balances of parties are subject to confirmation.
21. Profit and Loss Account of the current period includes following remuneration paid/credited/accrued to managerial personnel approved by the members and Central Government.

	Current Period Rs.	Previous Period Rs.
Salary	52,53,750	48,26,774
House Rent Allowance	24,30,000	26,35,065
Employer's contribution to Provident Fund	2,53,800	2,91,600
Other Allowances	7,01,941	7,13,247
Total	86,39,491	84,66,686

22. The AS-17 "Segment Reporting" is not applicable as the Company has operated only in one segment i.e. Manufacturing of Yarn.
23. AS-18 Related Party Information:

Pursuant to AS-18 information on remuneration paid to Key Management Personnel is given in the report on Corporate Governance under the heading "Remuneration to Directors" for Shri Hemant B.Vyas - Managing Director, Shri Devang H.Vyas - Executive Director, Shri S. K. Saha - Finance Director.

There are no others related parties.

24. Additional information as far as applicable pursuant to the provision of paragraph 3, 4C, 4D of part II of the Schedule VI of the Companies Act, 1956 is as per Annexure I.
25. Additional information pursuant to part IV of the Schedule VI of the Companies Act, 1956 is as per Annexure II.
26. Cash flow Statement is annexed to this Schedule as Annexure III.

As per our Report of even date

For H. KHAUND & CO.
Chartered Accountants

H. KHAUND
Proprietor

Guwahati
Date : 2nd March, 2007

For and on behalf of the Board

M. K. Das
Hemant B. Vyas
Devang H. Vyas
S. K. Saha
Dr. M. K. Sinha
Pritipal Singh
M. K. Dutta

Chairman
Managing Director
Executive Director
Finance Director

} Directors

Mumbai,
Date : 27th February, 2007

THE PRAG BOSIMI SYNTHETICS LIMITED

ANNEXURE-I

A. DETAILS OF OPENING STOCK, PURCHASES, SALES & CLOSING STOCK OF FINISHED GOODS ARE AS UNDER

	Unit (Rs.)	For the eighteen months period ended 30.09.2006		For the eighteen months period ended 31.03.2005	
		Quantity	Amount (Rs.)	Quantity	Amount
a. Opening Stock					
Yarn	MT	1,803.54	151,395,262	2,191.01	185,936,000
Polyester chips	MT	337.00	22,579,000	149.00	8,560,000
Others			-		2,530,966
b. Purchases					
Polyester chips					
Yarn	MT	-	-	30.03	3,938,298
Others					
c. Actual Production/Processed					
Yarn (net of captive consumption)	MT	6,982.79	-	28,016.97	-
Polyester chips					
d. Sales					
Yarn	MT	8,725.04	744,422,535	28,434.47	2,453,581,934
Others					
e. Closing Stock					
Yarn	MT	61.29	6,272,031	1,803.54	151,395,262
Polyester chips	MT	106.70	7,362,231	337.00	22,579,000
Others			-		2,530,966
B. (i) Details of Raw Materials Consumed					
Polyester chips					
Purified Terephthalic Acid	MT	5,935.37	243,692,874	23,365.65	947,668,536
Mono Ethylene Glycol	MT	2,443.98	107,515,595	9,855.73	508,926,092
Yarn	MT		-		3,938,298
Purified Terephthalic Acid (Waste)	MT	1,911.00	78,464,909		-
Mono Ethylene Glycol (Waste)	MT	825.00	36,289,133		-
Others			257,319		-
Total			466,219,829		1,460,532,926

(ii) Details of value of imported and indigenous Raw Material, Components consumed and percentage of each to the total consumption

		For the eighteen months period ended 30.09.2006		For the eighteen months period ended 31.03.2005	
		Quantity	Amount (Rs.)	Quantity	Amount (Rs.)
Raw Materials					
-imported		-	-	-	-
-indigenous		100	465,962,510	100	1,456,594,628
		100	465,962,510	100	1,456,594,628
Stores, spares and consumables					
-imported		36	6,266,669	30	25,244,743
-indigenous		64	11,264,273	70	58,092,719
		100	17,530,942	100	83,337,462
C. Auditor's remuneration includes:					
Audit Fees			75,000		75,000
Certification Fees			-		-
Fees for Taxation matter			37,500		37,500
Management Consultancy Fees			-		-
Other Matters			-		12,500
			112,500		125,000

D. Licenced & installed Capacity (as certified by the Management)

	Units	Licenced Capacity	As at 30/09/2006 Installed Capacity	As at 31/03/2005 Installed Capacity
Polyester Filament Yarn	TPA	25,000	36,000	25,000
Draw Texturising Machines	Nos	4	4	2
Draw Twisting Machines	Nos	4	2	2
Two for One Twister	Nos	12	6	6
Cone Winding Machine	Nos	6	4	4
Dyeing Machine	Nos	1	1	1
		For the eighteen months period ended 30.09.2006 Amount(Rs.)	For the eighteen months period ended 31.03.2005 Amount(Rs.)	

E. CIF Value of Imports

Raw Materials	-	-
Stores, spares and consumables	4,588,288	17,428,091
Capital Goods	-	40,576,501

F. Expenditure in Foreign Currency (On actual payment basis)

i) Technical Services		
ii) Other matters	197,977	2,289,851

G. Earnings in foreign exchange

FOB value of Exported Goods	-	-
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ANNEXURE-II

BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE

i. Registration Details

Registration No	2758	Slate Code	02
Balance Sheet Date	30-Sep-06		

ii. Capital raised during the year(Amount in rupees thousands)

Public issue	Nil	Rights issue	Nil
Bonus issue	Nil	Private Placement	Nil

iii. Position of Mobilisation and Deployment of Funds(Amount in rupees thousands)

Total liabilities	8,977,091	Total assets	8,977,091
Sources of funds			
Paid up Capital	1,555,328	Reserves & Surplus	16,700
Secured Loans	7,293,977	Unsecured Loans	111,085
Application of Funds:			
Net Fixed Assets&CWIP	7,943,078	Investments	0.60
Net Current Assets	211,571	Misc.Expenditure	34,089
Profit & Loss A/c.(Dr.Bal.)	788,352		

iv. Performance of Company (Amount in rupees thousands)

Turnover (including other income)	884,908	Total Expenditure	1,267,041
Profit/(Loss) Before Tax	(382,133)	Profit/(Loss)After Tax	(382,133)

v. Generic Name of the Principal Products of the Company

Item Code No. (ITC Code)	5402.42	Earning Per Share	(5.14)
Product Description	Polyester Filament Yarn (PFY)		

THE PRAG BOSIMI SYNTHETICS LIMITED

ANNEXURE III

CASH FLOW STATEMENT FOR THE EIGHTEEN MONTHS PERIOD ENDED 30.09.2006 AS PER LISTING AGREEMENT

PARTICULARS	For the eighteen months period ended 30.09.2006 (Rupees)	For the eighteen months period ended 31.03.2005 (Rupees)
A. Net Profit/(Loss) before tax and Extraordinary items	(382,133,448)	(14,086,826)
Adjustments for :		
Depreciation	54,847,437	54,810,016
Amortisation of Preliminary/Shares Issue Exp	6,817,786	4,545,190
Amortisation of Leasehold Land	60,000	60,000
Interest (Net)	79,978,218	96,371,539
Operating Profit/(Loss) before capital changes	(240,430,007)	141,699,919
Adjustments for :		
Inventories	262,691,289	11,126,810
Trade Receivable	62,310,070	(16,952,131)
Trade and other payables	(1,310,244)	(23,869,594)
Cash generated from operations	83,261,108	112,005,004
Less : Interest Paid	(80,178,559)	(98,937,092)
Interest Received	200,341	2,565,553
Net cash from operating activities	<u>3,282,890</u>	<u>15,633,465</u>
B. Cash flow from investing activities		
Sales of fixed assets		
Purchase of fixed assets	(162,196,945)	(455,448,694)
Sales/(Purchase) of investments		
Provision for diminution in the value of investments		
Preliminary expenses		
Loans and advances and other current assets	(87,159,250)	4,930,379
Long term bank deposits/margins		
Net cash used in investing activities	<u>(249,356,195)</u>	<u>(450,518,315)</u>
C. Cash flow from financing activities		
Proceeds from issue of shares		
Share application money	303,000	-
Capital Reserve (Subsidies)	-	15,000,000
Proceeds from long-term borrowings (Net)	244,894,148	410,597,917
Net cash from financing activities	<u>245,197,148</u>	<u>425,597,917</u>
Net increase in cash and cash equivalents (A+B+C)	<u>(876,158)</u>	<u>(9,286,933)</u>
Cash/cash equivalents (Opening)	15,891,990	25,178,923
Cash/cash equivalents (Closing)	15,015,832	15,891,990
	<u>(876,158)</u>	<u>(9,286,933)</u>

As per our Report of even date

For H. KHAUND & CO.
Chartered Accountants

H. KHAUND
Proprietor

Guwahati
Date : 2nd March, 2007

For and on behalf of the Board

M. K. Das
Hemant B. Vyas
Devang H. Vyas
S. K. Saha
Dr. M. K. Sinha
Prithpal Singh
M. K. Dutta

Chairman
Managing Director
Executive Director
Finance Director

} Directors

Mumbai,
Date : 27th February, 2007

The Prag Bosimi Synthetics Limited

Regd. Office : Rangpur, R.G. Barua Road, Guwahati 781 005 Assam.

ATTENDANCE SLIP

Name and Address of the Member and/or Proxy

Re. Folio No. _____

Client ID No. _____

D.P. I.D. No. _____

No of Shares held _____

I hereby record my presence at the Seventeenth Annual General Meeting of the Company to be held on Friday, the 30th March, 2007, at 4.00 p.m. at Hotel Landmark, Dr. R.B. Barooah Road, Ulubari, Guwahati 781 007.

Member's/Proxy's Signature _____

Please fill in the Attendance Slip and hand it over at the entrance of the meeting hall. Joint Shareholders may obtain additional Attendance Slip on request. Please bring your copy of the Annual Report for reference at the Meeting.

The Prag Bosimi Synthetics Limited

Regd. Office : Rangpur, R.G. Barua Road, Guwahati 781 005 Assam.

PROXY FORM

Reg. Folio No. _____ No. of Shares held _____

I/We _____ of _____ being a

member/members of The Prag Bosimi Synthetics Limited hereby appoint _____

of _____ of failing him/her _____ of _____

as my/our proxy to vote for me/us on my/our behalf at the Seventeenth Annual General Meeting of the Company to be held on Friday, the 30th March, 2007, at 4.00 p.m. at Hotel Landmark, Dr. R.B. Barooah Road, Ulubari, Guwahati 781 007.

Signed this _____ day on _____ 2007.

Signature _____

Affix
1 Rupee
Revenue
Stamp

Note : This form duly completed and signed must be deposited at the Registered & Corporate Office of the Company not less than 48 hours before the meeting.

BOOK POST

If undelivered, please return to :-

The Prag Bosimi Synthetics Limited

R-79/83, Laxmi Insurance Building,

5th Floor, Sir P. M. Road,

Mumbai 400 001