



**TPI INDIA LIMITED**

**24th  
ANNUAL REPORT  
2005-2006**



BOARD OF DIRECTORS	:	H. C. Parekh B. C. Parekh Akshay Bhatt	Chairman & Managing Director Executive Director Independent Director
AUDITORS	:	M. G. Dhankot & Co. Chartered Accountants	
BANKERS	:	Indian Overseas Bank The Federal Bank Limited The South Indian Bank Limited Bank of Baroda	
FINANCIAL INSTITUTION	:	Industrial Development Bank of India.	
REGISTERED OFFICE	:	J-61, Additional M. I. D. C., Murbad, Dist. Thane.	
PLANTS	:	J-61, Additional M. I. D. C., Murbad, Dist. Thane.  F-4 M. I. D. C. Industrial Area, Murbad, Dist. Thane.	

**NOTICE**

**NOTICE** is hereby given that the **TWENTY FOURTH ANNUAL GENERAL MEETING** of the Members of **TPI INDIA LIMITED** will be held at the Registered Office of the Company situated at Plot No. J-61, Additional MIDC Area, Murbad, Dist. Thane (Maharashtra) on Friday, the 29<sup>th</sup> day of September, 2006 at 11.00 A.M. to transact the following business.

**ORDINARY BUSINESS :**

1. To receive, consider and adopt the Audited Balance Sheet of the company as at 31st March, 2006 and Profit & Loss Account for the year ended on that date together with the Reports of the Board of Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. Hasmukh C. Parekh, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint the Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

**SPECIAL BUSINESS :**

4. To consider and, if though fit, to pass with or without modification the following Resolution as an ordinary Resolution.

RESOLVED that Mr. Akshay Bhatt, who was appointed as Additional Director by the Board of Directors at duly convened Board Meeting held on 31st July 2006 and who holds office up to the date of Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956, and in respect of whom the Company has received notice in writing from the member U/s. 257 of the Act proposing his candidature for office of Director, be and is appointed Director of the Company liable to retire by rotation.

**NOTES :**

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ALSO ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. A Proxy in order to be effective shall be deposited at the Registered Office of the Company not less than Forty Eight hours before the commencement of the Meeting.
3. A Member or his Proxy is requested to bring their copy of this Annual Report to the Meeting as extra copies will not be distributed.

4. Members / Proxies should fill the Attendance Slip for attending the Meeting. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID numbers and those who hold shares in physical form are requested to write their folio Number in the Attendance Slip for attending the Meeting.
5. In case of Joint holder attending the Meeting, only such joint holder who is higher in order of names will be entitled to vote.
6. The Register of Members and Share Transfer books will remain closed from Friday, 22<sup>nd</sup> day of September, 2006 to Friday, 29<sup>th</sup> day of September, 2006 both days inclusive.
7. Members are requested to send their queries, if any on the accounts and operations of the Company at the Registered Office of the Company at least 7 days before the Annual General Meeting.

#### EXPLANATORY STATEMENT

The following explanatory statement, pursuant to section 173(2) of the Companies Act, 1956, sets out all material facts relating the Business mentioned at Item 4 of the accompanying notice Dated 4th September, 2006.

#### ITEM No. 3,

Mr. Akshay Bhatt is a practicing Professional chartered Accountant and has immense experience in the field of Accountancy, Auditing, Finance and Taxation. Mr. Bhatt was appointed as Additional Director by the Board of Director at its meeting held on 31st July, 2006.

U/S. 260 of the Companies Act 1956, Mr. Bhatt ceases to hold office at this Annual General Meeting and is eligible for re-appointment. The Notice U/S. 257 of the Companies Act, 1956 has been received from a Shareholder signifying his intention to propose his appointment as a Director. The Board of Director feels that his experience and knowledge would be benefit and value to the Company, and therefore his appointment is recommended.

Apart from Mr. Akshay Bhatt no other director is interested or concerned in this item of the Business.

Place : Mumbai

Date : 4th September, 2006

By Order of the Board  
for TPI INDIA LIMITED

BHARAT C. PAREKH  
(Executive Director)



## DIRECTORS' REPORT

To,  
The Members,  
TPI INDIA LIMITED

Your Directors are pleased to present their Twenty Fourth Annual Report together with the Audited financial Statement for the year ended 31st March, 2006.

### FINANCIAL RESULTS :

	2005-2006 (Rs. in Lacs)	2004-2005 (Rs. in Lacs)
Total Income	525.90	491.67
Total Expenditure	460.86	453.62
Profit/(Loss) before Amortisation, Depreciation, Interest, Extra Ordinary / Exceptional Items & Tax and Loss on Sale of Fixed Assets (Net)	65.04	38.05
Less : Loss on sale of Fixed Assets [net]	194.10	1.47
Interest	15.21	1420.17
Depreciation	96.17	115.55
Amortisation of Deferred Revenue Expenses	34.18	57.60
Profit / (Loss) before Extraordinary / Exceptional Items & Tax	(274.62)	(1556.74)
Less : Prior Years' Adjustments & Exceptional Items	25.47	(23.07)
Profit / (Loss) before Tax	(249.15)	(1,579.81)
Less : Provision for Taxation	1.41	—
Add : (Loss) B/F from Previous Year	(10,949.69)	(9,369.88)
Less : Transfer to General Reserve	—	—
Balance Carried to Balance Sheet	(11,200.25)	(10,949.69)

### OPERATION REVIEW :

During the year under review, the Company has achieved the Total Income of Rs. 525.90 Lacs as against Rs. 491.67 Lacs during the previous year resulting in operation profit, before Amortisation, Depreciation, Interest, Extra-ordinary / Exceptional items & Tax and Loss on sale of fixed assets [Net] of Rs. 65.04 lacs as against Rs. 38.05 lacs in the previous year.

### FUTURE OUTLOOK:

With a view to consolidate its factory operation at Murbad the infrastructures and capacities of other units has been transferred to Murbad. The term lending institutions IDBI and the consortium bankers, Indian Overseas Bank-lead Banks, The Federal Bank Ltd., and South Indian Bank Ltd., has given their approval to our One Time Settlement Proposal. The approval from Bank of Baroda is awaited. Your company has made part payment to the IDBI and Bankers in terms of the OTS proposal. In view of the acceptance of OTS Proposal by the secured lending financial institutions and bankers, the negotiations with the strategic investors for joint venture capital participation to revive the unit is at advanced stage.

**DIVIDEND :**

In view of the losses incurred during the year under review, your Directors are unable to recommend any dividend for the year ended 31<sup>st</sup> March, 2006.

**FIXED DEPOSITS :**

The Company has accepted unsecured loan to meet the working capital requirement of the Company. The acceptance of said unsecured loan has resulted into non-compliance with section 58A of the Companies Act, 1956 as the entire net worth of the Company has been eroded.

The business circumstances has forced the Company to avail unsecured loan. The Management is of the opinion that considering the Company being under BIFR purview, the consequences associated with contravention of section 58A of the Companies Act, 1956 will be diluted.

**DIRECTORS:**

Mr. Hasmukh C. Parekh retires by rotation and being eligible offer himself for re-appointment.

In view of acceptance of One Time Settlement Proposal by IDBI, the nomination of Smt. H. K. Thakur has been withdrawn and the same has been accepted by the Company at its duly convened Board Meeting.

Mr. Akshay Bhatt, a practicing chartered Accountant, was appointed as additional; director of the Company at the duly convened Board Meeting held on 31<sup>st</sup> July 2006. In Accordance with provisions Section 260 of the Companies Act, 1956 Mr. Akshay Bhatt holds the Office only up to the date of ensuing Annual General Meeting. The necessary Resolution for his re-appointment as a Director of the company liable to retire by rotation has been included in the Notice convening ensuing Annual General Meeting.

**DIRECTORS' RESPONSIBILITY STATEMENT:**

Pursuant to the requirement u/s 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is confirmed:

- a) that in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to the material departures.
- b) that the Directors have selected such accounting policies and applied them consistently and made judgement and estimates that are reasonable and prudent so as to give True and Fair view of the state of affairs of the Company at the end of the financial year and of the Profit or Loss of the Company for that period.
- c) that the Directors have taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) that the Directors have prepared the annual accounts on a going concern basis.

**PERSONNEL :**

There were no employees covered u/s 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

**ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE:**

Particulars pursuant to section 217(1)(e) of the Companies Act, 1956 read with Companies ( Disclosure of Particulars in Report of Board of Directors) Rules, 1988 are given in the Annexure forming the part of this Report.

**AUDITORS:**

M/s M. G. Dhankot & Co. Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and have expressed their willingness to continue as Statutory Auditor for the Financial Year 2006-07. The relevant certificate to the effect that their appointment, if made, will be in pursuant to section 224(1B) of the Companies Act, 1956 has been received. The resolution for their re-appointment is being submitted to the Annual General Meeting.

**AUDITORS' REPORT:**

The Comments in the Auditors Report are self explanatory and suitably explained in the Notes to the Accounts. Further in view of the One Time Settlement proposal accepted by the Financial Institution and the Bankers of the Company, the interest payable on Secured Loan has not been provided.

**DEBENTURE DUES:**

In response to One Time Settlement Proposal submitted, the IDBI has restructured its entire debts in terms of amount and repayment schedule including 17% Non-convertible Debenture and interest accrued thereon vide its letter dated 6<sup>th</sup> May, 2005. However the request has been made to IDBI for extension of time. The Restructured Debts Liabilities will be effected out in the financial year 2006-07

**SICK INDUSTRIAL COMPANY:**

The Company has been declared as sick Industrial Company u/s. 3(i)(o) of Sick Industrial Companies (Special Provisions) Act, 1985, at the BIFR hearing held on 12th December 2005 and the Term Lending Institution IDBI has been appointed as Operating Agency.

Your Company has submitted the rehabilitation package to BIFR and its approval is awaited.

**CORPORATE GOVERNANCE:**

As it is apparent from the Audited Financial Statements, due to lower capacity utilization, your Company is incurring losses every year and the references are being made to Board of Industrial and Financial Reconstruction for declaration of Sick Industrial Company u/s 3(i)(o) of Sick Industrial Companies (Special Provisions) Act, 1985. The Company is in the process of appointing independent Directors to ensure the compliance of clause 49 of Listing Agreement and accordingly inducted Mr. Akshay Bhatt as independent Director.

**EMPLOYEE RELATIONS:**

Your Company believes that the employees are the biggest assets and it is committed to the development of this vital resource. Your Directors wish to place on record its appreciation for the contribution made by Manager, Executive and Workmen at Murbad unit. During the year, the Industrial Relation remained extremely cordial and harmonious. Your Director place on record its appreciation for the Trade Union and Workmen at Tarapur / Murbad unit for all round support extended to the Management.

**CASH FLOW STATEMENT :**

In conformity with the clause 32 of the Listing Agreement, the Cash Flow Statement for the year ended 31<sup>st</sup> March, 2006 is annexed hereto.

**ACKNOWLEDGEMENT:**

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from various department of Central and State Governments, IDBI, Indian Overseas Bank, Federal Bank Limited, South Indian Bank Limited and Bank of Baroda and Maharashtra State Financial Corporation.

Your Directors also acknowledge with thanks the continued support and confidence reposed in the Management by the Company's Shareholders, Customers and suppliers.

**For and on behalf of the Board**

**Place: Mumbai**

**Date: 4<sup>th</sup> September, 2006**

**H. C. Parekh  
CHAIRMAN**

**ANNEXURE TO THE DIRECTORS' REPORT**

Information required under the Companies (Disclosure of Particulars in the Report of. Board of Directors) Rule, 1988

**A. CONSERVATION OF ENERGY:**

- i) Energy Conservation measure taken:
  1. Regular monitoring of consumption, efforts for increase in Power Factor and upto date maintenance.
  2. Adopted natural lights wherever possible
  3. Improved operation methods helped in achieving better productivity which in turn reduce the Power Consumption.
  4. Greater employee awareness made about need of energy conservation which in turn resulted in switching off lights, fans and machinery when not required.
- ii) Additional Investments and proposals, if any, being implemented for reduction of consumption of energy :- NIL
- iii) Impact of the measures at (a) and (b) above for re ion of energy conservation and consequent impact on the production of goods. However the said impact has not been measured.

**B. TECHNOLOGY ABSORPTION :****i) RESEARCH & DEVELOPMENT**

The Company continues to lay emphasis on improving quality, upgradation of existing formulations, minimizing dependence on scarce and improved raw materials

As a result of these efforts, the Company has been able to produce better products and these have been well received in the market.

The Company will continue its efforts to improve the quality of its products.

The revenue expenditure incurred has been charged under the primary heads of accounts and hence are not identifiable separately. No capital expenditure on R & D has been incurred during the year under review.

**ii) TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION**

- 1) Efforts in brief made towards technology absorption, adoption and innovation. The Technology imported has been fully absorbed.
- 2) Benefit derived as a result of the above efforts: The FIBCs manufactured with imported technology facilitate bulk transport of materials. The FIBCs have
- 3) Technology imported during the last five years: NIL

**C. FOREIGN EXCHANGE EARNING AND OUTGO :**

Foreign Exchange Earned :	---
Foreign Exchange Outgo :	Rs. 82,354.00

For and on behalf of the Board

Place: Mumbai

Date: 4<sup>th</sup> September, 2006

**H. C. Parekh**

Chairman & Managing Director





## AUDITOR'S REPORT

### TO THE MEMBERS OF TPI INDIA LIMITED.

1. We have audited the attached Balance Sheet of TPI INDIA LIMITED as on 31<sup>st</sup> March 2006, and also the Profit and Loss Account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of 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 standard 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 disclosure in the financial statement. An audit also includes assessing the accounting principles used and significant estimate made by the 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 of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matter specified in paragraphs 4 & 5 of the said order.

Further to our comments in the Annexure referred to in paragraph 3 above, we report that:-

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief where necessary for the purpose of our audit;
- b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books;
- c) The Balance sheet, Profit & Loss account and Cash flow statement dealt with by this report are in agreement with the books of accounts;
- d) In our opinion the Balance sheet, Profit & Loss account and Cash flow statement dealt with by this report comply with the accounting standards referred to in section 211(3C) of the Companies Act, 1956, *subject to non compliance of accounting standard AS-15 issued by the Institute of Chartered Accountants of India in respect of Encashment of Leave to employees which is accounted on cash basis by the Company.*
- e) *The Company has not redeemed its Debentures as well as not repaid its Deposits and Interest thereon on due date and as the default continues for more than a year, all the directors except the Nominee Director of the Company attract disqualification in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.*
- f) In our opinion, to the best of our information and according to the explanations given to us, the said accounts, subject to:-
  - i) *Note No. 17 of Schedule U in respect of preparation of accounts on the basis of going concern.*
  - ii) *Note No. 7 of Schedule U in respect of Non-Provision of Rs. 15,68,58,330/- for Interest Payable on Secured Loans by which Loss of the company for the year ended review has been shown lower to the extent.*

AND

Read together with other Notes thereon gives the information required by the Companies Act, 1956 in the manner so required and gives a True and Fair View in Conformity with the accounting principles generally accepted in India:

- 1) In the case of the Balance sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2006.
- 2) In the case of the Profit and loss account, of the Loss of the Company for the year ended on that date.
- 3) In the case of the Cash flow statement, of the cash flows for the year ended on that date.

For M. G. Dhankot & Co.  
Chartered Accountants

Place : Mumbai  
Date : 4<sup>th</sup> September, 2006

M.G. Dhankot  
(Proprietor)  
Membership No. 14339

**ANNEXURE TO THE AUDITOR'S REPORT.**

Referred to in paragraph 3 of the Auditor's Report to the Members of **TPI INDIA LIMITED** on the financial statements for the year ended **31<sup>st</sup> March, 2006**.

1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) All the Fixed Assets have not been physically verified by the management during the year but there is regular programme of verification which in our opinion is reasonable having regard to the size of the company and the nature of its Assets. No material discrepancies were noticed on such verification.
- (c) During the year, the Company has not disposed off a substantial part of its Fixed Assets. *Land in respect of Abandoned Surat Project has been sold out during the year. The profit arising on the same has been credited to Profit and Loss A/c. In our opinion and according to the explanation given to us, such transaction has not affected the Going Concern assumption of the Company.*
2. (a) The Inventories have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion the procedure of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of the business.
- (c) The Discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt in the books of accounts.
3. [A] In respect of Unsecured Loans, taken by the Company from Companies, Firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

**We Report that:-**

- (a) *The company has taken unsecured loans from 3 parties aggregating to Rs.51,50,419/- at the year end. The Maximum amount involved during the year was Rs.1,23,34,921/-*
- (b) In our opinion and according to the information and explanations given to us, the rate of interest wherever applicable and other terms and conditions are not prima-facie prejudicial to the interest of the company.
- (c) *In respect of loans taken by Company, Company is not regular in repayment of principal amount and interest thereon.*
- [B] The Company has not granted any Loan Secured or Unsecured to any of the parties covered in the register maintained under section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and also for the sales of goods and services. During the course of our audit, we have not observed any major weaknesses in internal control.
5. (a) In our opinion and according to the information and explanation given to us, the transaction made in pursuance of contracts or arrangements, that needed to be entered into in the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rs. 500,000/- (Rupees Five Lacs Only) or more in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market price at relevant time.

6. The Company has accepted certain deposits from public for which the directives issued by the Reserve Bank of India and the provision of Section 58A and 58AA of the Companies Act, 1956 and the rules framed there under have not been complied with. For the above referred accepted Deposits, Company has not complied with the provision like Advertisement in News paper, Filing of Annual return, Maintaining the liquid assets, rate of interest and the limit up to which the deposits can be accepted from the public. We were explained that no order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other tribunal.
7. In our opinion, the internal audit function carried out during the period by a firm of Chartered Accountants appointed by the management are generally commensurate with the size of the company and the nature of its business.
8. Maintenance of Cost records has not been prescribed by the Central government under Section 209(1)(d) of the Companies Act, 1956 for any of the products of the Company.
9. (a) According to the record of the Company, undisputed statutory dues including Provident Fund, Income-Tax, Sales-tax, Wealth-Tax, Custom duty, Excise duty and Investor Education & Protection Fund have not been deposited within stipulated time except for payment of excise duty with the appropriate authorities. Further items mentioned in clause No. (b) i) below which were outstanding as at 31<sup>st</sup> March, 2006 for a period of more than six months from the date becoming payable not paid by the company.

(b) i) The undisputed statutory dues are as follows:-

Sr. No.	Nature of Dues	Financial Year	Amount
1	Central Sales Tax	2002-03	29,87,818/-
2	M. S. T.	2001-02	7,571/-
3	Professional Tax	2001-02	1,260/-
4	Professional Tax	Prior to 1999-00	20,795/-
5	Central Sales Tax	Prior to 1998-99	1,18,216/-
6	Purchase Tax	Prior to 1998-99	51,452/-
7	Sales Tax	Prior to 1998-99	1,03,805/-
8	Unpaid Dividend	95-96, 96-97, 97-98	3,17,429/-
9	Maharashtra Labour Welfare Fund	2001-02 & onwards	642/-
10	Land Revenue Tax	2003-04 & 2004-05	60,000/-
11	Provident Fund	Prior to 2003-04	43,99,749/-

ii) The disputed statutory dues aggregating to Rs. 1,88,41,741/- that have not been deposited on account of matter pending before appropriate authorities are as under: -

Sr.No.	Nature of Dues	Amount
1	Sales Tax	63,73,499/-
2	Central Excise Duty	1,24,68,242/-

Other details like year from which, the above dispute pertains and the disputes are pending before which Authorities are not furnished to us.

10. *The Company has accumulated losses as on 31<sup>st</sup> March, 2006 which is more than of its net worth. The Company has incurred cash loss during the current Financial year and has also incurred cash loss in the immediately preceding financial year.*
11. *Based on our audit procedure and according to the information and explanation given to us, we state that the Company has defaulted in the repayment of dues since 1999-2000 to Financial Institutions, Banks and Debenture Holders aggregating to Rs. 102.57 crores and interest there on not Provided of Rs. 15.69 Crores for the current year.*
12. *In our opinion and according to the information and explanation given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.*
13. *In our opinion the Company is not chit fund or a nidhi/ mutual benefit fund/ society. Therefore, clause 4(xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.*
14. *The Company is not dealing/ trading in shares, securities and debentures. All investments have been held by the Company in its own name.*
15. *The Company has given guarantees to Banks for supply of machineries and Excise Bonds for third parties aggregating to Rs. 1.27 crores, which in our opinion are prima-facie prejudicial to the interest of the Company.*
16. *The Company has not raised any new terms loans during the year.*
17. *According to the Cash Flow statement on the Balance sheet date and records examined by us and according to the information and explanation given to us, on overall basis, we report that no funds raised on short term basis have, prima-facie, been used during the year for long term investment.*
18. *During the year the company has not made any preferential allotment of shares to parties and Companies covered under Section 301 of the Companies Act, 1956.*
19. *The Company has not issued any debenture during the year. We are informed that company has created securities in respect of old outstanding Debentures issued by the company in the earlier year.*
20. *The Company has not made any public issue during the year to raise money. Accordingly the provision of clause 4 (xx) of the Companies (Auditor's report) Order, 2003 are not applicable to the Company.*
21. *In our opinion and according to the information and explanation given to us, no fraud on or by the company has been noticed or reported during the year.*

**For M. G. Dhankot & Co.**  
*Chartered Accountants*

**M. G. Dhankot**  
**(Proprietor)**  
**Membership No. 14339.**

Place: Mumbai  
Date: 4<sup>th</sup> September, 2006

## BALANCE SHEET AS ON 31st MARCH 2006

	SCH	Current Year		Previous Year	
		Rs.	Rs.	Rs.	Rs.
<b>I. SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
a) Share Capital	A	79,615,700		79,615,700	
b) Reserves & Surplus	B	24,924,000		24,924,000	
			<b>104,539,700</b>		<b>104,539,700</b>
<b>Loan Funds</b>					
a) Secured	C	1,025,681,438		1,045,985,062	
b) Unsecured	D	41,340,245		52,558,777	
			<b>1,067,021,683</b>		<b>1,098,543,839</b>
Total Funds Employed			<b>1,171,561,383</b>		<b>1,203,083,539</b>
<b>II. APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
a) Gross Block	E	193,464,676		267,471,086	
b) Less : Depreciation		86,116,990		124,893,473	
		<b>107,347,686</b>		<b>142,577,613</b>	
c) Net Block			<b>107,347,686</b>	<b>23,815,300</b>	
d) Capital Work-in-progress			<b>76,647</b>		<b>166,392,913</b>
					<b>76,647</b>
<b>Investments</b>					
<b>Current Assets,</b>					
<b>Loans &amp; Advances</b>					
a) Inventories	G	3,199,424		2,642,717	
b) Sundry Debtors	H	12,406,016		12,664,168	
c) Cash & Bank Balances	I	1,737,625		1,937,881	
d) Loans & Advances	J	4,497,470		6,199,855	
		<b>21,840,535</b>		<b>23,444,621</b>	
<b>Less : Current Liabilities &amp; Provisions</b>					
a) Liabilities	K	77,588,583		83,459,864	
b) Provisions		140,702		1,758,834	
		<b>77,729,285</b>	<b>(55,888,750)</b>	<b>85,218,698</b>	<b>(61,774,077)</b>
Net Current Assets					<b>3,418,193</b>
<b>Misc. Expenditure</b>					
(To the extent not written off)					
<b>Profit and Loss Account</b>	L		<b>1,120,025,800</b>		<b>1,094,969,863</b>
<b>TOTAL</b>			<b>1,171,561,383</b>		<b>1,203,083,539</b>

Notes on Accounts

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As per our attached report of even date

For M. G. DHANKOT & CO.  
Chartered AccountantsM. G. DHANKOT  
Proprietor

Mumbai, dated 4th September, 2006

For and on behalf of the Board of Directors

H. C. Parekh

Chairman &  
Managing Director

B. C. Parekh

Executive Director

Mumbai, dated 4th September, 2006



**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2006**

	SCH	Current Year Rs.	Previous Year Rs.
<b>INCOME</b>			
Sales & Income from other operations	M	54,219,920	49,251,061
Less: Excise Duty		(2,657,140)	(2,871,522)
		51,562,780	46,379,539
Other Income	N	336,961	2,787,557
Accession in stock of Finished Goods & Stock in Progress	O	68,9917	---
		52,589,658	49,167,096
<b>EXPENDITURE</b>			
Decrease in Stock of Finished Goods & Stock in Progress	O	--	3,668,591
Material Input	P	10,036,208	9,738,633
Manufacturing Expenses	Q	26,098,955	21,803,413
Salaries, Wages & Benefits to employees	R	3,703,430	4,588,175
Administrative & Selling Exp.	S	6,247,344	5,563,421
		46,085,937	45,362,233
<b>Profit before Amortisation, Depreciation Interest, Extraordinary / exceptional items and tax &amp; Loss on Sale of Fixed Assets[Net]</b>		6,503,721	3,804,863
Loss on Sale of Fixed Assets (net)		19,409,745	146,650
Amortisation of Deferred Revenue Expenses		3,418,193	5,759,767
Depreciation		9,617,199	11,555,107
Interest	T	1,520,934	142,016,979
		(27,462,350)	(155,673,640)
<b>Loss for the year before Extra-ordinary / Exceptional items and tax</b>		(3,216,655)	2,072,000
Profit(-) / Loss(+) on Sale of Assets out of Capital Work-in-progress account of Abandoned Surat Project (Refer Note No. 15 Schedule 'U'))		--	--
Income-Tax Adjustment A/c of Earlier Years		(866,757)	--
Prior year's adjustments (Net)		1,536,297	235,756
		(24,915,235)	(157,981,396)
<b>Loss before taxes</b>		140,702	---
Less: Provision for Taxation		(25,055,937)	(157,981,396)
Fringe Benefit Tax		(1,094,969,863)	(936,988,467)
<b>Loss after taxes</b>			
Add: Balance B/F			
<b>Balance Carried to balance sheet</b>		(1,120,025,800)	(1,094,969,863)

Earnings per share (Note 21 of Schedule U) Basic and Diluted  
Notes on Accounts

(3.15)

(19.84)

U

As per our attached report of even date

For **M. G. DHANKOT & CO.**  
Chartered Accountants

**M. G. DHANKOT**  
Proprietor

Mumbai, Dated 4th September, 2006

For and on behalf of the Board of Directors  
H. C. Parekh  
Chairman &  
Managing Director  
B. C. Parekh  
Executive Director

Mumbai, Dated 4th September 2006

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006**

	2005-06 Rs.	2004-05 Rs.
<i>(Figures in braket indicates outflows)</i>		
<b>A) Cash Flow from Operating Activities</b>		
a) Net profit/(Loss) before tax and Exceptional items Adjustments for	(249.15)	(1,579.81)
Depreciation	96.17	115.55
Interest Expenses	15.21	1,420.17
Interest Income	(0.36)	(1.07)
Dividend Income + Other Income	(0.04)	(0.03)
(Loss) on sale of fixed assets	194.10	1.47
b) Operating Profit/(Loss) before working Capital Changes	55.93	(43.72)
Adjustment for		
Trade & Other receivable	11.47	9.93
Inventories	(5.57)	55.15
Trade Payables	41.61	13.25
c) Cash generated from operations	103.44	34.61
Direct Tax Paid [Net]	9.46	1.80
d) Exceptional Item	93.98	32.81
Profit / (Loss) on sale of Surat Capital W.I.P.	32.17	(20.72)
Deferred Revenue	(34.18)	(57.60)
Net Cash From Operating Activities (A)	95.99	111.13
<b>B) Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets / Capital Expenditure	(0.42)	(5.00)
Sale of Fixed Assets	232.45	33.50
Interest Received	0.36	0.74
Dividend Received	0.04	0.02
Net Cash used in investing Activities (B)	232.43	29.26
<b>C) Cash Flow from Financing Activities</b>		
Repayment of long Term Borrowings	(315.22)	(93.90)
Interest Paid	(15.21)	(47.20)
Net Cash used in Financing Activities (C)	(330.43)	(141.10)
<b>D) Net increase in Cash and Cash Equivalent (A+B+C)</b>	(2.00)	(0.71)
Cash and Cash Equivalent at beginning of the year	19.38	20.09
Closing Balance of Cash and Cash Equivalent at end of the year	17.38	19.38

Note : 1 Previous year figures have been regrouped/recast wherever necessary

2 Cash and Cash equivalent includes Cash & Bank balance and balance in margin account.

As per our attached report of even date

For **M. G. DHANKOT & CO.**  
Chartered Accountants

**M. G. DHANKOT**  
Proprietor

Mumbai, Dated 4th September, 2006

For and on behalf of the Board of Directors

**H. C. Parekh** Chairman &  
Managing Director

**B. C. Parekh** Executive Director

Mumbai, Dated 4th September 2006



## Schedule Forming Part of the Balance Sheet As On 31st March, 2006

		CURRENT YEAR Rs.		PREVIOUS YEAR Rs.
<b>Schedule - A</b>				
<b>SHARE CAPITAL</b>				
<b>AUTHORISED</b>				
10,000,000	Equity Shares of Rs. 10 each (Previous year 10,000,000)			
		100,000,000		100,000,000
500,000	Equity Shares of Rs. 10 each			
	Preference Shares of Rs. 100 each (Previous year 500,000 Preference Shares of Rs. 100 each)	5,000,000		5,000,000
		<u>105,000,000</u>		<u>105,000,000</u>
<b>ISSUED, SUBSCRIBED, AND PAID UP</b>				
7,963,470	Equity Shares of Rs. 10 each (Previous year 7,963,470)			
	Equity Shares of Rs. 10 each	79,634,700	79,634,700	
	Less : Calls in Arrears	<u>19,000</u>	<u>19,000</u>	<u>79,615,700</u>
		<u>79,615,700</u>	<u>79,615,700</u>	<u>79,615,700</u>

**Notes :**

- 1) Of the above subscribed capital 15,075 Equity Shares are issued and allotted as fully paid shares for consideration other than cash as purchase consideration for acquisition of firm as per agreement dated July 31, 1982.
- 2) Paid up Share Capital Includes :  
2,418,120 Bonus Equity Shares  
of Rs. 10 each issued on 22.5.96

**SCHEDULE B  
RESERVE & SURPLUS****Capital Reserve :**

Subsidy received from Maharashtra Government	5,000,000	5,000,000
Share Premium Account	19,924,000	19,924,000
	<u>24,924,000</u>	<u>24,924,000</u>

**Note :****The Share Premium Account denotes :**

- A) Premium received on issue of 671,000 Equity Shares of Rs. 10 each at a Premium of Rs. 15 per share.
- B) Premium received on issue of 1,515,150 Equity Shares of Rs. 10 each at a Premium of Rs. 6.50 per share.





**SCHEDULE FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 2006**

	<b>CURRENT YEAR</b>	<b>PREVIOUS YEAR</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>Schedule C</b>		
<b>SECURED LOANS</b>		
Indian Overseas Bank	TL and CC	197,004,453
Bank of Baroda	Cash Credit	202,789,253
The federal Bank Ltd.	Cash Credit	42,859,952
The South Indian Bank Ltd.	Cash Credit	98,582,380
The Federal Bank Ltd.	Term Loan	103,010,204
The South Indian Bank Ltd.	Term Loan	136,226,598
Maharashtra State Finance Corporation Ltd.		22,259,147
Industrial Development Bank of India		22,755,147
17% Non-Convertible Debenture (IDBI)		69,057,318
(17% Non-Convertible Debenture include interest accrued and due Rs. 109,951,553/- (Previous Year Rs. 109,951,553))		69,739,318
	<b>18,574,551</b>	18,574,551
	<b>269,603,411</b>	272,603,411
	<b>171,513,628</b>	171,513,628
	<b>1,025,681,439</b>	<b>1,045,942,106</b>

## Notes :

1. Cash Credits from Indian Overseas Bank, Bank of Baroda, The Federal Bank Ltd. and The South Indian Bank Ltd. and Packing Credit from Indian Overseas Bank and the Federal Bank Ltd. are secured by :
  - A) Hypothecation of raw materials, work in progress, finished goods and book debts of the company are further secured by personal guarantees of the Executive Director and the Managing Director. The cash credit loans are further secured by collateral security of gross block of assets of the company. The charges are ranking pari passu interse between Indian Overseas Bank, Bank of Baroda, The Federal Bank Ltd. and The South Indian Bank Ltd.
  - B) Second pari passu charge over properties of the company situated at Plot No. G-1/2, MIDC, Boisar, Plot No. F-4 & F-54, MIDC Murbad, Dist. Thane and unit at village Dastan, Taluka Palsana, Dist. Surat.
2. Term Loan and 17% Non-convertible debentures from IDBI are secured by :
  - A) The term Loan from the IDBI under the Equipment Finance Scheme (EFS) is secured by exclusive first charge by way of hypothecation of the specific assets purchased under the EFS.
  - B) Legal mortgage of all immovable properties at Plot No. J-61, MIDC, Murbad, except machineries purchase under DPG from Indian Overseas Bank.
  - C) First charge by way of hypothecation of plant and machinery, machinery spares, tools and accessories both present and future, electrical installation, furniture and fixture, vehicles and other movable assets of the company except book-debts and subject to the prior charges created/ to be created on the company's stock of raw materials, work-in-progress and finished goods in favour of the company's bankers at Plot No. J-61, MIDC, Murbad.

**SCHEDULE FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 2006**

- D) Joint and several personal guarantees of the Executive Director and the Managing Director of the Company.
3. Term Loan from MSFC is secured by:
- A) First charge on the entire fixed assets of Unit A-1/2 G.D.D.I.D.C., Daman Estate, Somnath, Daman which is taken over by MSFC and sold to Party for Rs. 25.11 lakhs. Rest of the machinaries are also taken over by MSFC towards dues.
- B) Joint and several personal guarantees of the Executive Director and the Managing Director of the company.
4. Medium Term Loan from Indian Overseas Bank, The Federal Bank Ltd. and The South Indian Bank Ltd. are secured by:
- A) First Paripassu charge over properties of the company situated at Plot No. G-1/2, MIDC, Tarapur, F-4 & F-54, MIDC, Murbad and unit at village Gangadhara, Taluka Palsana, Surat.
- B) First charge by way of hypothecation of plant and machinery, spares, tools and accessories electrical installation, furniture and fixture, vehicles and other movable assets of the company situated at Plot No.G-1/2, MIDC, Boisar, Plot No. F-4 & F-54, MIDC, Murbad, Dist. Thane.
- C) Joint and several personal guarantees of the Executive Director and the Managing Director of the company.

	Current Year	Previous Year
	Rs.	Rs.

**SCHEDULE D****UNSECURED LOAN**

Development Corporation of Konkan Ltd.	873,069	721,527
Deferred Sales Tax Loan	23,924,812	23,924,812
Inter Corporate Deposits	8,095,620	9,893,761
Other Deposits	8,446,744	18,018,677
	<u>41,340,245</u>	<u>52,558,777</u>

**SCHEDULE FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 2006**

**SCHEDULE E  
FIXED ASSETS**

	GROSS BLOCK (AT COST)			DEPRECIATION				NET BLOCK		
	As at 31-3-05 Rs.	Addition Rs.	Deduction Rs.	As at 31-3-06 Rs.	Upto 31-03-2005	Deduction Rs.	For the Year Rs.	Total Rs.	As at 31-03-06 Rs.	As at 31-03-05 Rs.
Land (Leasehold)	2,966,104	-	-	<b>2,966,104</b>	318,151	--	--	318,151	2,647,953	2,647,953
Buildings	69,196,507	-	-	<b>69,196,507</b>	23,150,435	--	2,167,086	25,317,521	43,878,986	46,046,072
Plant & Machinery	165,575,562	-	67,526,385	<b>98,049,177</b>	84,349,542	43944238	6,261,088	46,666,392	51,382,785	81,226,020
Electrical Installations	16,066,677	-	6,522,045	<b>9,544,632</b>	8,266,805	4449444	608,268	4,425,629	5,119,003	7,799,872
Furniture & Fixtures	5,979,803	-	-	<b>5,979,803</b>	3,716,651	--	357,521	4,074,172	1,905,631	2,263,152
Office Equipments	1,289,929	42,020	-	<b>1,331,949</b>	627,981	--	55,849	683,830	648,119	661,948
Vehicles	584,091	-	-	<b>584,091</b>	555,513	--	--	555,513	28,578	28,578
Factory Equipments	2,209,554	-	-	<b>2,209,554</b>	1,130,457	--	101,267	1,231,724	977,830	1,079,097
Computers	2,656,989	-	-	<b>2,656,989</b>	2,465,149	--	23,200	2,488,349	168,640	191,840
Laboratory Equipments	945,870	-	-	<b>945,870</b>	312,789	--	42,920	355,709	590,161	633,081
<b>Total</b>	<b>267,471,086</b>	<b>42,020</b>	<b>74,048,430</b>	<b>193,464,676</b>	<b>124,893,473</b>	<b>48,393,682</b>	<b>9,617,199</b>	<b>86,116,990</b>	<b>107,347,686</b>	<b>142,577,613</b>
Previous Year	267,690,829	500,257	720,000	267,471,086	113,811,716	473,350	11,555,107	124,893,473	142,577,613	153,879,113

(C) Capital Work-in-progress	Upto 31-03-2005	Addition 05-06	Deduction 05-06	Net Bal. 31-3-2006
Capital Work-in-progress (Refer Note No. 15 of Schedule 'U')	23,815,300	--	23,815,300	--
Previous Year	29,137,300	--	5,322,000	23,815,300

Notes :

1. The Company has decided to write off lease in respect of value of leasehold land once in a period of ten years.



	Current Year Rs.	Previous Year Rs.
<b>SCHEDULE F</b>		
<b>INVESTMENTS (AT COST)</b>		
<b>Long Term Investment :</b>		
<b>UNQUOTED :</b>		
800 (800) Equity Shares of Janaseva Sahakari Bank Ltd. of Rs. 25 each	20,000	20,000
<b>QUOTED :</b>		
640 (640) Equity Shares of Industrial Development Bank of India of Rs. 10 each at a Premium of Rs. 120 each [Market value Rs. 50,112/- (Previous Year Rs. 58,336)]	56,647	56,647
	<u>76,647</u>	<u>76,647</u>
<b>SCHEDULE G</b>		
<b>INVENTORIES</b>		
<b>PHYSICALLY VERIFIED, VALUED AND CERTIFIED BY THE MANAGEMENT :</b>		
a) Stores & Spares Parts	1,769,027	2,178,595
b) Loose Tools	17,670	20,625
c) Stock in trade		
1) Raw Material	544,013	264,700
2) Finished Goods	81,602	178,797
3) Work-in-progress	787,112	
	<u>3,199,424</u>	<u>2,642,717</u>
<b>SCHEDULE H</b>		
<b>SUNDRY DEBTORS</b>		
A) Unsecured Considered Good		
1. Outstanding for more than six months	2,621,246	163,916
2. Others [Incl. of Rs.8226800/- (Previous year Nil) for sale of Fixed Assets]	<u>9,784,770</u>	<u>12,406,016</u>
B) Unsecured Considered Doubtful (Outstanding for more than 6 months)	21,146,922	24,899,713
Less : Provision for Doubtful Debts	<u>21,146,922</u>	<u>20,192,087</u>
	<u>12,406,016</u>	<u>12,664,168</u>
<b>SCHEDULE I</b>		
<b>CASH &amp; BANK BALANCES</b>		
a) Cash on hand	259,680	478,190
b) Bank Balances With Scheduled Banks		
1) In Current Account	361,138	342,884
2) In F.D.R. Account	843,894	843,894
3) In Margin Account	272,913	272,913
	<u>1,737,625</u>	<u>1,937,881</u>

	Current Year Rs.	Previous Year Rs.
<b>SCHEDULE J</b>		
<b>LOANS AND ADVANCES</b>		
<b>(UNSECURED CONSIDERED GOOD)</b>		
Prepaid Expenses	9,709	66,389
Advance Recoverable in cash or in kind or for value to be received	2,898,688	3,099,185
Loans and advances to staff & workers	375,333	469,522
Excise Balance	45,663	36,680
Deposits	934,391	1,534,271
Interest Accrued on Deposits	101,731	101,731
Advance Tax	78,774	892,077
Vat refund due	53,181	
	<u>4,497,470</u>	<u>6,199,855</u>

**SCHEDULE K**  
**CURRENT LIABILITIES & PROVISIONS**

<b>A) CURRENT LIABILITIES</b>			
Sundry Creditors			
Outstanding Dues of small scale Industries	518,176	518,176	
(See Note No. 16 of schedule U)			
Outstanding Dues of other Creditors	<u>44,856,833</u>	<u>45,375,009</u>	36,303,990
			36,822,166
Sundry Creditors for expenses	20,002,669		23,308,054
Creditors for Capital Goods	--		10,031,955
Other Liabilities	1,507,719		4,278,967
Refund orders payable account	6,187		6,187
Advances from parties	8,580,784		8,695,106
Dividend Payable A/c (Refer Note No. 23 Schedule 'U')	317,429		317,429
<small>(Rs. 317429/- (Previous year 1,32,719/-) Remains Overdue not yet Deposited)</small>			
<small>To Investors Education and Protection Fund</small>			
Union Bank - Book Overdraft	<u>1,798,786</u>		
	77,588,583		83,459,864
<b>B) PROVISIONS</b>			
Provision for taxation	---		1,758,834
Provisions for Fringe Benefit Tax	140,702		
	<u>77,729,285</u>		<u>85,218,698</u>

	<b>Current Year</b> Rs.	Previous Year Rs.
<b>SCHEDULE L MISCELLANEOUS EXPENDITURE</b>		
Deferred Revenue Expenditure		
Balance Brought Forward		
(To the extent not written off or adjusted)	<b>3,418,193</b>	9,177,960
Less : Written off during the year	<b>3,418,193</b>	5,759,767
	<b>--</b>	<b>3,418,193</b>
<b>SCHEDULE M SALES AND INCOME FROM OTHER OPERATIONS</b>		
Sales - Manufacturing	<b>19,021,354</b>	19,848,073
Jobwork	<b>35,198,566</b>	29,402,988
	<b>54,219,920</b>	49,251,061
<b>SCHEDULE N OTHER INCOME</b>		
Interest Income-Gross	<b>35,953</b>	107,103
Dividend	<b>4,440</b>	3,000
Other	<b>296,568</b>	2,677,454
	<b>336,961</b>	278,557
<b>SCHEDULE O ACCRETION / (DECRETION) TO STOCK</b>		
Opening Stock		
Finished Goods	<b>178,797</b>	1,099,217
Wastage	---	3,450
Work-in-progress	---	2,744,721
	<b>178,797</b>	3,847,388
Closing Stock		
Finished Goods	<b>81,602</b>	178,797
Work-in-progress	<b>787,112</b>	
	<b>868,714</b>	178,797
ACCRETION (DECRETION) TO STOCK	<b>689,917</b>	-3,668,591
<b>SCHEDULE P MATERIAL INPUT</b>		
Opening Stock of Raw Materials	<b>264,700</b>	1,538,298
Add : Purchases of Raw Materials (Net of Modvat Availed)	<b>10,201,643</b>	8,001,312
Purchases of Traded Goods	<b>808,151</b>	5,973,310
Freight Inward	<b>117,503</b>	144,508
	<b>11,391,997</b>	15,657,428
Less : Sale of Raw Materials	<b>-811,776</b>	5,654,095
	<b>10,580,221</b>	10,003,333
Less : Closing stock of Raw Materials	<b>544,013</b>	264,700
Raw Materials Consumed	<b>10,036,208</b>	9,738,633

	Current Year Rs.	Previous Year Rs.
<b>SCHEDULE Q MANUFACTURING EXPENSES</b>		
Processing Charges	13,716,275	10,851,572
Consumption of Stores	3,696,588	3,777,227
Power & Fuel	7,987,825	6,507,731
Water Charges	98,378	115,002
Insurance	14,562	26,113
Repairs and Maintenance		
(A) Building	15,000	27,540
(B) Plant and Machinery	546,406	495,744
Factory Maintenance Charges	23,921	2,484
	<u>26,098,955</u>	<u>21,803,413</u>
<b>SCHEDULE R SALARIES, WAGES &amp; BENEFITS TO EMPLOYEES</b>		
Salaries & Wages Including Bonus & Gratuity	3,397,887	3,502,548
Workmen & Staff Welfare Expenses	233,047	296,201
Remuneration & Allowances including Provident Fund	---	714,984
Etc. to Directors and Managing Director		
Contribution to Provident Fund and Other Funds	72,496	74,442
	<u>3,703,430</u>	<u>4,588,175</u>
<b>SCHEDULE S ADMINISTRATIVE &amp; SELLING EXPENSES</b>		
Printing and Stationery	178,437	115,211
Postage, Telegram and Telephone	349,051	367,147
Repairs and Maintenance of Vehicles	397,924	268,339
Repairs and Maintenance of Others	91,656	93,899
Rates & Taxes	80,596	101,000
Packing, Forwarding & Transport Charges	783,533	227,601
Legal and Professional Fees	659,608	621,597
Bank Charges and Bank Commission incl. Guarantee Com.	43,092	173,666
Travelling Expenses	642,676	80,910
Conveyance	239,781	621,171
Donation	29,508	14,612
Brokerage & Commission	58,845	78,648
Guarantee Commission paid to Directors	774,984	---
Advertisement, Sales Promotion & Presentations	240,449	156,497
Sundry Expenses	499,569	1,609,773
Sales Tax	---	649,016
Auditor's Remuneration	58,455	61,493
Bad Debts Written off	2,875	322,841
Provision for Doubtful Debts	1,116,305	---
	<u>6,247,344</u>	<u>5,563,421</u>

	Current Year Rs.	Previous Year Rs.
<b>SCHEDULE T</b>		
<b>INTEREST CHARGES</b>		
To Banks and Financial Institutions		
On Term Loan *	---	46,155,776
On Working Capital *	---	59,796,877
On Debenture *	---	34,689,292
To Others	<b>1,520,934</b>	<b>1,375,034</b>
(* Refer Note No. 7 of Schedule U)	<b>1,520,934</b>	<b>142,016,979</b>

**SCHEDULE U****NOTES ON ACCOUNTS**

	2005-06	2004-05
<b>1. CONTINGENT LIABILITIES</b>		
I. Estimated amount of contracts remaining to be executed on capital account and not provided for	NIL	NIL
II. Disputed Amount in Respect of Excise Duty for which appeals has been decided and the matter is remitted back to the adjudicator for re-determination	<b>12,468,242</b>	<b>12,468,242</b>
III. The Company has given counter guarantees to Banks in respect of guarantees given by the Banks to Third parties for supply of Machineries & Excise Bonds	<b>12,712,832</b>	<b>12,712,832</b>
IV. Sales Tax Liability disputed	<b>6,373,499</b>	<b>6,373,499</b>
V. Deferred Payment Guarantee	<b>73,830</b>	<b>73,830</b>
VI. Contingent liabilities in respect of disputed suit/claims pending against the company	<b>9.17 Crores</b>	<b>8.33 Crores</b>
<b>2. In the opinion of the company the Current Assets, Loans and Advances are approximately of the value stated, if realised in the ordinary course of business. Provisions for known Liabilities is adequate and not in excess of amount reasonably necessary</b>		



	Current Year Rs.	Previous Year Rs.
3. (a) Sundry Debtors, Sundry Creditors, Secured & Unsecured Loans & Advances given & taken are subject to their confirmation and adjustments if any (b) The company has received loan confirmation letter from Federal bank wherein difference of Rs. 2.98 crores has been noticed for which company has requested the concerned bank for the details of statement of accounts. In absence of details available at present, adjustment if any remains pending.		
4. No Provision for taxation is made since there will be no taxable income in the current year.		
5. Payments to Auditors:	2005-06	2004-05
Audit Fees	56,120	55,100
Out of pocket expenses	8,455	6,393
	<u>64,575</u>	<u>61,493</u>
6. a) Managerial Remuneration to Managing Director & Executive Director	---	714,984
b) Payment to Directors for Guarantee Commission in respect of personal guarantees given for Loans and Credit facilities obtained by the Company	774,984	---
	<u>774,984</u>	<u>714,984</u>
7. The Company has not provided interest on secured loans from Banks and Financial Institutions amounting to Rs. 15,68,58,330/- in view of the acceptance of OTS proposals by the secured lending Financial Institution and Bankers, which is subject to compliance of certain Terms and Conditions.		
8. Schedule I - Cash & Bank Balance includes, Bank Balance of Rs. 10,03,776 in respect of which Bank statement / confirmation letters are not received and hence same are subject to confirmation and reconciliation, if any.		
9. ADDITIONAL INFORMATION PURSUANT TO THE PROVISION OF PARAGRAPHS 3 & 4 OF PART II OF SCHEDULE VI TO THE COMPANIES ACT, 1956		
QUANTITATIVE AND TURNOVER INFORMATION (as Certified By The Directors)		



		Current Year Rs.		Previous Year Rs.	
<b>A) CAPACITY AND PRODUCTION</b>					
<b>I. CAPACITY</b>					
	<b>UNIT</b>	<b>2005-2006</b>		<b>2004-2005</b>	
		<b>Licensed Capacity</b>	<b>Installed Capacity</b>	<b>Licensed Capacity</b>	<b>Installed Capacity</b>
	PP/LDPE Laminated to kraft paper/ Poster paper / Glassine paper / OLB Paper / Polycoated paper	Tons	N.A.	2,000	N.A.
	PP/HDPE/PE/woven fabrics/rolls/ sheets/bags/sacks/FIBC Laminated/ Unlaminated / lined with kraft paper on circular looms	Tons	N.A.	4,500	N.A.
<b>II. PRODUCTION :</b>					
		<b>2005-2006</b>		<b>2004-2005</b>	
	PP/HDPE/PE/woven fabrics/rolls/ sheets/bags/sacks/FIBC Laminated/ Unlaminated/lined with kraft paper on circular looms	Nos.	914,496	531,798	
<b>B) TURNOVER</b>					
	<b>Unit</b>	<b>Quantity</b>	<b>Value</b>	<b>Quantity</b>	<b>Value</b>
			<b>Rs.</b>		<b>Rs.</b>
	PP/HDPE/PE/woven fabrics/rolls/ sheets/bags/sacks/FIBC Laminated/ Unlaminated / lined with kraft paper on circular looms	Nos.	910466	19,021,354	544,593
	Job Work		35,198,566	29,402,988	
			<u>54,219,920</u>	<u>49,251,061</u>	
<b>C) STOCK</b>					
<b>CLOSING STOCK</b>					
	<b>Unit</b>	<b>2005-2006</b>		<b>2004-2005</b>	
		<b>QTY.</b>	<b>VALUE</b>	<b>QTY.</b>	<b>VALUE</b>
			<b>Rs.</b>		<b>Rs.</b>
	PP/HDPE/PE/woven fabric/rolls/ Sheets/bags/sacks/FIBC laminated/ Unlaminated/lined with kraft paper on circular looms	Nos.	9197	81,602	5,167
			<u>81,602</u>	<u>178,797</u>	
<b>OPENING STOCK</b>					
	<b>Unit</b>	<b>QTY.</b>	<b>VALUE</b>	<b>QTY.</b>	<b>VALUE</b>
	PP/HDPE/PE/woven fabrics/rolls/ sheets/bags/sacks/FIBC Laminated/ Unlaminated / lined with kraft Paper on circular looms	Nos.	5167	178,797	17,962
			<u>187,797</u>	<u>1,099,217</u>	

	Current year		Previous Year	
<b>D) CONSUMPTION OF RAW MATERIALS</b>				
i) Paper	Kgs. 77,356	1,443,283	43,267	945,577
ii) Polythene/Fabrics	Kgs. 148,174	8,270,417	137,462	7,496,525
iii) Other Miscellaneous		322,508		1,296,531
		<u>10,036,208</u>		<u>9,738,633</u>
<b>E) Value of imported and Indigenous Raw Material and Stores and Spares Parts (Including Components) consumed,</b>	<b>Value</b>	<b>%</b>	<b>Value</b>	<b>%</b>
	<b>Rs.</b>		<b>Rs.</b>	
i) Raw Materials				
i) Imported	Nil	Nil	Nil	Nil
ii) Indigenous	<u>10,036,208</u>	<u>100</u>	<u>9,738,633</u>	<u>100</u>
	<u>10,036,208</u>	<u>100</u>	<u>9,738,633</u>	<u>100</u>
ii) Stores & Spares Parts (Including Components)				
i) Imported	Nil	Nil	Nil	Nil
ii) Indigenous	<u>3,696,588</u>	<u>100</u>	<u>3,777,227</u>	<u>100</u>
	<u>3,696,588</u>	<u>100</u>	<u>3,777,227</u>	<u>100</u>
10. Expenditure in Foreign Currency	2005-2006		2004-2005	
Travelling Expenses	82,354		44,800	
11. Earning in Foreign Currency	---		---	
FOB Value of Exports other income	---		---	
12. Prior Years Adjustments Includes :	<b>Rs. In Lakhs</b>		<b>Rs. In Lakhs</b>	
<b>Expenses :</b>				
Interest paid	---		1.54	
Sundry Expenses	0.51		0.04	
Payment to staff	0.35		0.31	
Stores-raw material purchases	0.01		0.27	
Interest provision for DCKL deferred loan	---		1.15	
Vehicle Exp.	---		0.02	
Freight outward	---		0.02	
Professional Fees	0.21		0.11	
Land Tax	0.88		1.19	
Maintenance	0.08		0.20	
Power & electricity arrears etc	24.30		---	
Excise duty	2.58		---	
Factory Expenses	0.05		---	
PF arrears damages	48.05		---	
Fees and Subscription	0.04		---	
Telephone Expenses	0.12		---	
Travelling	0.05		---	
Staff welfare expenses	0.10		---	
Water charges	0.30		---	
	<u>77.63</u>		<u>4.85</u>	



Income	Rs. In Lakhs	Rs. In Lakhs
VRS Settle ment	55.05	---
Discount on settle ment with Creditors	2.77	---
Miscellaneous	4.44	2.50
	<u>62.26</u>	<u>2.50</u>
Net	15.37	2.35

13. a) The Financial Statements are prepared under the Historical Cost Convention, in accordance with applicable accounting standards.
- b) (I) Fixed Assets are stated at cost, Net of Modvat, Less accumulated depreciation. All Cost including Financing Cost till commencement of Commercial Production, Net Charges of Foreign Exchange Contracts and Adjustment arising from Exchange rate variations relating to borrowing attributable to the Fixed Assets are capitalised.
- (II) Depreciation is charged in accordance with schedule XIV of the Companies Act, 1956 on straight line method.
- C) Investment are stated at cost:
- D) Inventories:
- Raw Material are stated at lower of cost or realisable value. Work-in-progress is valued at material cost and conversion cost appropriate to their location Finished goods are stated at cost or realisable value whichever is lower. Cost includes Material Cost, Conversion and other cost incurred in bringing the Inventory at their present location and condition. Stores & Spares are stated at cost or realisable value whichever is less. Scrapes are stated at realisable value.
- E) Liabilities/Assets in Foreign Currencies are recorded in the accounts as per the following governing principles:
- i) All Foreign Currency transactions are recorded at rates prevailing on the date of the transaction.
- ii) All Foreign Currency Assets and Liabilities, other than Investments and those covered by forward contracts, are restated at the exchange rate prevailing at year end.
- iii) All exchange differences arising out of actual Purchase/Sale of Foreign Currencies and those arising out of restatement mentioned in (B) above are:
- 1) Adjusted to the cost of Fixed Assets, if the Foreign Currency Liability concerned is contracted for acquisition of Fixed Assets, and
- 2) Recognised as Income/Expense for the period, in all other cases.
- iv) Exchange differences arising on booking of forward contracts are recognised as income or expense over the life of the contract, except in respect of liabilities incurred for acquiring fixed assets, in which case such differences are adjusted to the cost of the fixed assets.
- F) Revenue expenditure on research and development are charged as an expense in the year in which they are incurred. Capital expenditure on research and development are shown as an addition to fixed assets.
- G) The provision for tax is based on the assessable profits of the company computed in accordance with the Income Tax Act, 1961.

- H) Pre-Operative expenditure is carried forward to be capitalised and apportioned to various assets on commissioning the project.
- I) Leave encashment is accounted for on payment basis.
- J) Sales are exclusive of Excise Duty and VAT / sales Tax.
- K) Gratuity is provided on the basis of working done as per the payment of Gratuity Act.
- L) Capital issue and preliminary expenses are amortised as per section 35 D of the Income Tax Act, 1961.
- M) Compensation to employees who have opted for retirement under voluntary retirement scheme and heavy revenue expenditure on account of foreign travelling, advertisement incurred are debited to deferred revenue expenditure and the said expenditure is being written off over a period of five years.
- N) Capital subsidy received from Maharashtra Government is credited to Capital Reserve Account.
- O) Deferred tax is recognised subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are not recognised on unabsorbed depreciation and carry forward of losses unless there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.
- P) An assets is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.
- Q) (i) Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if a) the company has a present obligation as a result of a past event, b) a probable outflow of resources is expected to settle the obligations and c) the amount of the obligation can be reliably estimated. (ii) Contingent liabilities is disclosed in the case of a) a present obligation arising from past event, when it is not probable that an outflow of resources will be required to settle the obligation b) a possible obligation, unless the probability of outflow of resources is remote (iii) Contingent Assets are neither recognised, nor disclosed. Provision, Contingent Liability and Contingent Assets are reviewed at each Balance Sheets date.
14. Dividend payable accounts and refund order payable accounts are under reconciliation pending receipt of details from banks.
15. Net Consideration as per agreement for sale of Land is respect of abandoned Surat Project of Rs. 2,70,31,955 has been adjusted against the balance of Capital work in progress of Rs. 2,38,15,300/- during the year. Net Profit on the above sales of Land, of Rs. 32,16,655 is shown in profit and loss account as extra ordinary/exceptional items.
16. The amount due to small Scale Industrial Undertakings is furnished under the relevant head, on the basis of information available with the Company regarding the status of Small Scale Industry of the suppliers. Such undertakings to which the Company owes a sum exceeding Rupees One Lac for more than 30 days are M/s.Rang Rasayan Limited Rs. 3,17,625/- (Rs. 3,17,625) and M/s. A. K. Industries Rs. 2,00,551/- (Rs. 2,05,551/-)
17. The accounts are prepared on the basis of "Going Concern". The continuation of the company as a going concern is dependent upon the availability of adequate finance and future profitability of the company.
18. On concept of prudence "Deferred Tax Asset" has not been recognised as there is reasonable uncertainty of sufficient future taxable income since the Company has been declared as sick company Registered with Board for Industrial and financial Reconstruction.

19. As the company's business activities fall within single segment viz; flexible packaging goods, the disclosure requirements of Accounting Standard 17 segment reporting issued by Institute of Chartered Accountants of India is not applicable.

20. In terms of AS 18 "Related Party Disclosures" issued by the ICAI, related party transactions are as follows:

a. Parties where control exists:

Shreeji Sales Corporation  
Sanjay Enterprises  
Storsack India Pvt. Ltd.

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

Key Management personnel & Relatives  
H.C Parekh - Managing director  
B. C. Parekh - Executive director

c. Nature of Transaction	Current Year	Previous Year
i. Remuneration		
Key Management personal	—	714,984
ii. Guarantee Commission		
Key Management personal	774,984	—
iii. Interest paid		
Parties where control exists (including prior period interest of Rs. NIL)	1,000,000	276,634
iv. Jobwork-Income	34,098,121	29,500,131
v. Purchases	4,415,475	382,979
vi. Sales	982,654	10,384,429
vii. Outstanding Balance as at 31st March 2006		
a) Unsecured Loan		
Key Management personnel & Relatives & controlling firm	5,150,419	12,246,752
b) Creditors	4,810,220	382,979
c) Advances from Customers	4,330,784	8,692,406
d) Debtors	9,220	(3,560,507)

21. Earnings per share:

	2005-2006	2004-2005
(a) [Loss] after tax	Rs. in Lakhs (250.56)	(1,579.81)
(b) The weighed average number of ordinary share	Nos. 7,963,470	7,963,470
(c) The nominal value per Ordinary Share	Rupees 10	10
(d) Earnings per share [Basic and diluted]	Rupees (3.15)	(19.84)

22. In the Financial year 2001-02 the company has adjusted Rs. 25.11 lacs in respect of auction value of Daman unit realised by Maharashtra State Financial Corporation (MSFC), from outstanding loan balance of MSFC as management of the company failed to discharge its liability of repayment of loan.

MSFC has taken possession of entire unit of Daman hypothecated to them and credited sale value of Rs. 25.11 lacs against the outstanding dues, The Company had written off entire balance of Rs. 103.62 lacs under the head "Project Abandoned written off account" in the year 2001-02. The company will adjust sale proceeds amount realised by MSFC in the future period from the loan amount payable to them and credit the amount so received as income of the respective year of receipt.

The balance amount with MSFC payable by the company is subject to confirmation and adjustment if any.

23. The dividend payable of Rs. 317,429 is comprising of F. Y. 1995-1996 Rs. 34,342.80, F. Y. 1996-1997 Rs.98,376.00 and FY 97-98. Rs. 184,710. The same amount is lying with Bank of Baroda under dividend A/c No.4326 and Federal Bank Limited under dividend A/c No. 3884 and 4034. The Management is in the process of transferring the same to Investors Education and Protection Fund Account.
24. Previous year's figures have been rearranged and/or regrouped, reclassified wherever necessary to make them comparable with those of the current year.
25. **Additional information pursuant to the provisions of part IV of schedule VI to the Companies Act, 1956.**

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

#### I. Registration details

Registration No.	State Code	Balance Sheet date
26917	11	31-03-2006

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

Public Issue	Right Issue	Bonus Issue	Private Placement
Nil	Nil	Nil	Nil

#### III. Position of mobilisation and deployment of funds (Amount in Rs. Thousands)

Total Liabilities	1,171,561	Total Assets	1,171,561
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#### Sources of Funds

Paid up Capital	79,616
Reserves & Surplus	24,924
Secured Loans	1,025,681
Unsecured Loans	41,340
Deferred tax liability (assets)	Nil

#### Application of Funds

Net Fixed Assets	107,348
Investments	77
Net Current Assets	(55,889)
Deferred tax assets	Nil
Accumulated Losses	1,120,026

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

Turnover (Includes other Income)	51,900	Total Expenditure	75,113
Loss before Tax	(24,915)	Loss after Tax	(25,056)
Earning per Share (Rs.)	(3.15)	Dividend Rate %	Nil

#### V. General Names of Three Principal Products/services of Company (As per Monetary Terms)

Item Code No.	39239000	39269000	48190000
Product Description	Kraft lined HDPE Bags/FIBC- Bulk Bags/PP/HDPE/PE Bags	HDPE Tarpauline	Multiwall Paper Bags

Note : All Schedules From schedule "A" to schedule "U" have been signed by the following :

AS PER OUR ATTACHED REPORT OF EVEN DATE  
For **M. G. DHANKOT & CO.**  
Chartered Accountants

**M. G. DHANKOT**  
Proprietor

Mumbai, dated 4th September 2006

For and on behalf of the Board of Directors  
H. C. Parekh  
Chairman &  
Managing Director

B. C. Parekh  
Executive Director

Mumbai, dated 4th September 2006



ATTENDANCE SLIP  
TPI INDIA LIMITED

Registered Office :

J-61, Additional M.I.D.C. Murbad, Dist. Thane.

PLEASE COMPLETE THIS ATTENDENCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE HALL

Joint Shareholders may obtain additional attendance slips at the entrance.

Regd. Folio No. \_\_\_\_\_

Name of the attending Member/Proxy \_\_\_\_\_

No. of Shares held \_\_\_\_\_

I hereby record my presence at the 24th ANNUAL GENERAL MEETING AT J-61, Additional M.I.D.C. Murbad, Dist. Thane. on Friday the 29th September, 2006.

SIGNATURE OF THE SHAREHOLDER OR PROXY

PROXY FORM  
TPI INDIA LIMITED

Registered Office : J-61, Additional M.I.D.C. Murbad, Dist. Thane.

I/We \_\_\_\_\_ of \_\_\_\_\_ being a member/members of TPI INDIA LIMITED hereby appoint \_\_\_\_\_ of \_\_\_\_\_ of failing him \_\_\_\_\_ of \_\_\_\_\_

as my/our proxy to attend and vote for me/us and on my/our behalf at the 24th Annual General Meeting of the Company to be held on Friday the 29th September, 2006 and at any adjournment thereof. the 29th September, 2006 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2006.

Regd. Folio \_\_\_\_\_

Signature by the said \_\_\_\_\_

Note : The Proxy must be deposited at the Head Office of the Company at 102 Atlanta, Nariman Point, Mumbai-400 021. not less than 48 hours before the time for holding the meeting.

Re. 1  
Revenue  
Stamp





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**TPI INDIA LIMITED**

Unit No. 5, Plot No. J-61, Additional M.I.D.C. Murbad, Dist. Thane-421401, Maharashtra, INDIA