

DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the 35th Annual Report together with the Audited Accounts of the Company for the financial year ended 31st March 2006.

FINANCIAL RESULTS

	(Rs. in Lacs)	
	For the 12 Months Period Ended 31st March, 2006	For the 6 Months Period Ended 31st March, 2005
Total Income	14052.32	6798.80
Profit before Interest, Depreciation & Taxes		740.49
Less: Interest	585.39	325.87
Depreciation	543.71	312.64
Profit/(Loss) before Tax, Extra-ordinary Items & Prior Period Adjustments	443.47	101.98
Extra-ordinary Items & Prior Period Adjustments	(4.31)	(0.60)
Profit/(Loss) before Tax	439.16	101.38
Income Tax Adjustment/Payment for earlier year	(8.41)	(0.73)
Provisions for Tax		
- Current	(37.80)	(7.94)
- Deferred	(154.91)	
- Fringe Benefit Tax	(15.00)	7.38
Profit/(loss) After Tax	223.04	100.09
<u>Appropriations:</u>		
Transfer to Debenture Redemption Reserve	50.00	-
Transfer from Debenture Redemption Reserve	25.00	-
Balance carried to Balance Sheet	198.04	100.09
EPS (Rs) – Basic	1.53	0.80
EPS (Rs) - Diluted	1.53	0.66

FINANCIAL YEAR

The current financial year comprised of 12 months as against the six months period for the previous year and accordingly the accounts under review have been prepared for a period of 12 months i.e. from 1st April, 2005 to 31st March, 2006 and accordingly, the figures for the period under review are not strictly comparable with previous period figures.

DIVIDEND

The Directors do not recommend any dividend on equity shares for the period under review in order to strengthen the financial position of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

(a) Industry Structure and Development

The PET Bottle Industry in India consists of nearly 300 units spread all over the Country. These units have investments, ranging from Rs. 25 Lacs to over Rs. 50 Crores. Your Company is the pioneer and is one of the largest producers of PET Jars, Containers and Bottles through single stage route in India, with production facilities located in Gurgaon, Mahad (150 KM from Mumbai) and Jigani (30KM from Bangalore). Further, during the year the company has also set up a new unit at Baddi in H.P and commercial production is likely to commence in early August 2006. The Company has also acquired land in Pantnagar in Uttaranchal for its 5th unit and hopes to complete construction and commence production before 31st March 2007.

The Company has its own design and development department and is well equipped to develop custom-built packaging for its customers.

The primary focus of the Company is to meet industrial packaging needs at affordable prices and continue to remain a popular household name.

(b) Opportunity and Threats

The Company foresees high growth potential in all segments like pharmaceuticals, beverages, liquor, personal care, cosmetics and all other packaged goods for domestic consumption. The multi-location facilities and new application development skills of the company enables it to harness this opportunity and maintain its market shares. With the expansion plans and setting up of new units, company expects to cater the packaging needs of food and pharmaceutical companies and also expects to tap new customer base mushrooming around those areas especially the pharma segments.

Due to mushrooming of small manufacturers, there has been severe competition in the market, which has resulted in low margins. However due to Pan India presence improved efficiencies, optimum usage of resources and strict cost controls, the company will be able to maintain its market leadership.

(c) Outlook

The performance of Industry & services is expected to remain buoyant during 2006-07 Overall GDP growth rate during last year was 8.5% and is expected to grow further this year. The growth rate for Industrial sector was higher as compared to previous year. The direct tax incentive mainly to end products produced by units located in Northern and North East Indian States will give impetus to growth. During last 2 years, there has been spurt in spending pattern of the consumer and the same is expected to give a boost to the consumption patterns as well as growth rate of packaged goods and other products. The prospects of packaging business are encouraging and the focus on expansion of market size with consequent volume gains by the company shall definitely reap good profits in the coming year.

(d) Risks and Concern

There is a continuous pressure on the conversion margin, caused by small-scale units mushrooming near customer's base. The Company is working on improving overall internal efficiencies, capacity utilization and productivity to combat these factors. Further changes in the Government Policy on the tax structure of the raw material and finished product may adversely affect the Company.

(e) Internal Control Systems and their Adequacy

The Company has proper and adequate systems of internal controls to provide reasonable assurance that all assets are safeguarded and protected against any loss by disposition, misuse etc.

All the policies, procedures, guidelines, authorizations and approval procedures are well documented.

The Management periodically reviews the internal control systems and their adequacy. In addition, the Company has a regular internal audit system.

(f) Discussion of Financial Performance with Respect to Operational Performance

The operational performance of the Company was satisfactory during the year under review, on the backdrop of the buoyant Indian Economic Scenario in general and increased on quality packing by food processing/pharmaceutical Industry. The total Income of the Company for the year ended 31st March 2006 stood at 14052.32 lacs as against Rs. 6798.80 lacs in previous year. The Profit Before Tax increased to Rs. 443.47 lacs i.e by 117% (annually) as compared to previous year Rs. 101.38 in the previous year on pro-rata basis. The Profit After Tax for the year ended review increased to Rs. 223.04 lacs as compared to Rs. 100.09 lacs in the previous year, thus representing an increase of 12% on annualized basis. In the coming year, the company will strive to expand its manufacturing base and offer more competitive product to improve its fiscal performance. In the coming year, the Company will strive to widen its customer base, increase market share, develop new products, enter new segments and step up market initiatives and look for overall growth in Turnover and Profitability.

(g) Human Resources/Industrial Relations

It is the Company's belief Human Resources is the driving force towards progress and success of a Company. The Company seeks to motivate and retain its professional by offering reasonable compensation and opportunity to grow in the organization. The total permanent employee's strength of the Company was 644 as on 31st March 2006. The industrial relations remained cordial during the year.

CORPORATE GOVERNANCE

Report of the Directors on Corporate Governance is given separately and forms an integral part of this Annual Report.

A Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance, as stipulated under Clause 49 of the Listing Agreement, is attached to this Report.

DIRECTORS

In accordance with the requirement of the Companies Act, 1956, Mr Ramesh Mehra retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment. Brief profile of Mr Ramesh Mehra is furnished in Corporate Governance Report.

Further, Mr. Arun Gupta, FCA was appointed as additional director on the Board of the Company. However he has resigned from the directorship of the Company w.e.f. 30th June 2006. The Board places on record its appreciation for the services rendered by Mr. Arun Gupta during his association with the Board of the Company.

The Board of Directors in its meeting held on 30th June, 2006 have appointed Mr Varun Seth as Whole-time Director of the Company for a period of 3 years at remuneration approved by Board of Directors as per recommendations received from remuneration committee. Further, Mr Naresh Khanna has been appointed as additional director on the Board of the Company. Mr Naresh Khanna and Mr Varun Seth both hold their office up to the forthcoming Annual General Meeting. Notice from sharehold The resolution for

appointment of Mr Varun Seth as Whole-time Director is being placed in ensuing Annual General Meeting for the approval of shareholders.

ISSUE OF SHARES ON PREFERENTIAL BASIS

During the financial year, company issued 26,76,181 equity shares of Rs. 10/- each at a premium of Rs. 1.21/- each as per SEBI pricing formula to Promoters, their relatives and associates. Necessary exemptions were obtained from SEBI vide its Order No. WTMO/08/CFD/09/2005 dated 2nd September 2005. SEBI had granted its exemption to the acquirers (namely 'Promoters and its associates' from complying with Regulation 11(2) of Chapter III of SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 1997 for acquisition of 26,76,181 equity shares by way of preferential allotment basis on the condition that the Company shall get the special resolution passed in Annual General Meeting held on 28th January 2005 for issuance of shares to Promoters and its associates on preferential allotment basis, ratified by its shareholders by way of special resolution through Postal Ballot process. The resolution was passed by requisite majority.

Accordingly, the Committee of Directors in its meeting held on 16th November 2005 had issued 26,76,181 equity shares on preferential allotment basis to Promoters, their relatives and associates.

LISTING OF SHARES

The Company's Shares are presently listed on Mumbai Stock Exchange, National Stock Exchange and Calcutta Stock Exchange.

Annual Listing Fee for the year 2005-06 has already been paid to all Stock Exchanges except Calcutta Stock Exchange where the company's delisting application is still pending.

FIXED DEPOSITS

A sum of Rs. 29.38 Lacs relating to 162 deposits remained unclaimed as on 31st March 2006. Since then, deposits amounting to Rs. 13.91 Lacs in respect of 66 depositors have been re-paid.

AUDITORS' REPORT

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

AUDITORS

The statutory auditors, M/s. J.C. Bhalla & Co., Chartered Accountants, New Delhi, retire at the conclusion of 35th Annual General Meeting and have confirmed their eligibility and willingness to accept office, if re-appointed. As recommended by the audit committee, the Board recommends that M/s J.C. Bhalla & Co., be re-appointed as statutory auditors to hold office until the conclusion of forthcoming Annual General Meeting.

SOCIAL RESPONSIBILITY

The Company has always promoted the spirit of social responsibility and community development and believes that this can be achieved by nurturing the culture of honesty, integrity, transparency, respect and recognizing the interest of its shareholders, consumers, employees, business partners and suppliers.

To reduce accidents and to sensitize employees toward safer work practices, safety drives are conducted regularly in plants. These safety drives include conducting of safety week programmes, conducting safety exhibitions on the shop floor where such posters, slogans and awareness messages are displayed. Mock drill are also conducted to sensitize and train personnel on emergency preparedness.

PARTICULARS AS PER SECTION 217 OF THE COMPANIES ACT, 1956

a) PARTICULARS OF EMPLOYEES PURSUANT TO SEC 217(2) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULE, 1975.

The statement of particulars of employees, providing information as per Sec 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, form a part of this report. However, as per the provisions of sec 219(1)(b)(iv) of the Companies Act, 1956, the Annual Report excluding this statement is being sent to all the members. Any member interested in obtaining a copy of this statement may write to the Company Secretary at its Head Office.

(b) CONSERVATION OF ENERGY, TECHNOLOGY, ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Information relating to the Conservation of Energy, Research & Development and Foreign Exchange Earnings and Outgo, as required under Section 217 (1)(e) of the Companies Act, 1956 annexed and forms an integral part of this Report.

CASH FLOW STATEMENT

Cash Flow Statement is in accordance with Accounting Standards or Cash Flow Standard (AS-3) issued by ICAI is annexed to this Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the Section 217 (2AA) of the Companies Act, 1956, with respect to "Directors Responsibility Statement" in the Board's Report, the directors hereby confirm:

- (i) That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- (ii) That the Directors had selected such accounting policies and applied them consistently and made 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 of the loss of the Company for that period. Judgments and estimates that are reasonable and prudent
- (iii) That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.
- (iv) That the Directors had prepared the annual accounts a going concern basis.

ACKNOWLEDGEMENT

We take this opportunity to express our deep sense of gratitude to Financial Institutions, Bankers, Central and State Government Departments Local Authorities, our associates and customers for their continued guidance and support.

Your directors would like to record their sincere appreciation of the dedicated efforts put in by across all levels in the Organization.

And to you, our shareholders, we are deeply grateful for the confidence and faith that you have reposed in us.

Regd. Office:

On behalf of the Board

**B-59, Greater Kailash Part -I,
New Delhi - 110 048**

Place : **New Delhi**

Date : **31st July, 2006**

**(CHAND SETH)
CHAIRMAN & MANAGING DIRECTOR**

STATEMENT PURSUANT TO THE PROVISIONS OF SECTION 217 (1)(e) OF THE COMPANIES ACT, 1956.

A. Conservation of Energy

Our process is energy sensitive. A continuous power source is the main resource of our conservation. Apart from the above, we upgrade our system at regular intervals to conserve energy in the following sections:

1. Conservation in water and air management.
2. Compartmentalization in energy distribution system so that production machines isolation can be done with auto shut off system of services.
3. Predictive and preventive maintenance of the equipment to plug the losses due to friction, carbonization, clogging, heat generation etc.
4. Continuously upgrading electrical distribution system, its monitoring etc. so that optimum utilisation of power is made possible.
5. Introduction of various energy savers likes Electronic, Soft Starters, Variable Speed Drivers, Low Power Consuming Illumination System, Capacitor Banks etc.
6. Instrumentation's for Energy measurements and its control for various applications.

B. Foreign Exchange Earning and Outgo

(Rs. in Lacs)

1.	Foreign Exchange Earnings (FOB)	27.43
2.	Foreign Exchange Outgo (on CIF Basis)	
	(i) On Imports	
	(a) Raw Material	24.48
	(b) Capital Goods	8.85
	(c) Components	NIL
	(ii) Others	5.68

C. Research & Development

The Company has a Technical and Research & Development Department to upgrade its technology to meet business requirements in a sensitive and competitive manner on continuous basis, which includes:

1. Implementation of ISO-9001 and Q9001-2000 norms in our manufacturing technique.

- 2.** Identification of changing need of our customers and to cater newly developed PET products of various shapes and sizes to them.
- 3.** Encouraging customers to convert their other packaging into PET packaging through technical guidance.
- 4.** Upgrading equipment reliabilities and process capability upto the international standards.
- 5.** Continuous improvements in our quality standard by mould developments, in-process control of products through circle activities etc.
- 6.** Review of performance, resource mobilization to enhance performance by statistical technique.
- 7.** Exploring the possibilities to use LNG as a fuel for self-power generation instead of HSD/LDO.