*To a brave new future of Polyester*

*To create a sustainable environment*

*To superior quality through exceptional teamwork*

*… the Polygenta way*

# POLYGENTA TECHNOLOGIES LIMITED

## 29TH ANNUAL REPORT

## 2010-11

## CONTENTS

| | | | |
|---|---|---|---|
| **BOARD OF DIRECTORS** | : | Mr. Subodh Maskara, | Chairman |
| | | Mr. Marc Lopresto | Wholetime Director |
| | | Mr. Vinit Kumar Baid | Independent Director |
| | | Mr. Awadhesh Kumar | Nominee Director,IFCI Ltd. |
| | | Ms. Vasantha Govindan | Nominee Director, Special Undertaking of Unit Trust of India Ltd. |
| | | Fredrik Wijkander | Nominee Director, Swedfund International AB |
| **COMPANY SECRETARY** | : | Mr.Paresh Damania | |
| **BANKERS** | : | Ratnakar Bank<br>Standard Chartered Bank<br>HDFC Bank | |
| **REGISTERED OFFICE** | : | B-302, Dipti Classic Premises,<br>Suren Road,<br>Andheri(E) ,<br>Mumbai : 400093 | |
| **FACTORY** | : | Gut No.265/2, 266, Village Avankhed,<br>Taluka Dindori,<br>District Nashik.<br>Pin 422 201<br>Maharashtra | |
| **AUDITORS** | : | M/s Lodha & Company<br>Chartered Accountants,<br>6, Karim Chambers,<br>40, Ambalal Doshi Marg,<br>Mumbai 400 023. | |

## NOTICE

NOTICE is hereby given that the Twenty-Ninth Annual General Meeting of Members of Polygenta Technologies Limited will be held on Tuesday, 20th, September 2011 at the Registered office of the company at B-302, Dipti Classic Premises, Suren Road, Andheri(E), Mumbai-400 093 at 03.00 P.M. to transact the following business:-

**Ordinary Business:-**

1. To consider and adopt the Audited Profit & Loss account for the year ended 31st March, 2011 and the Balance Sheet as at that date together with Report of the Board of Directors and the Auditors thereon.

2. To appoint a Director in place of Mr. Vinit Baid, who retires by rotation and being eligible, offers himself for re-appointment.

3. To appoint auditors and fix their remuneration.

**Special Business:-**

4. To consider and if thought fit, to pass with or without modification the following resolution as Ordinary Resolution :

   **"RESOLVED THAT** in accordance with the approval of the Remuneration Committee and subject to the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions of the Companies Act, 1956, (including any statutory modification or re-enactment thereof, for the time being in force) the consent of the Shareholders be and is hereby accorded to the appointment of Mr. Marc Lopresto as Wholetime Director of the Company for a period of three years with effect from 20th September 2010.

   **RESOLVED FURTHER THAT** consent of the Shareholders be and is hereby accorded to his receiving remuneration Rs. 24,00,000/- per annum all inclusive including perquisites. "

   **RESOLVED FURTHER THAT** the remuneration aforesaid will be exclusive of:

   (i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.

   (ii) Gratuity payable in accordance with the rules and regulations of the company.

   **"RESOLVED FURTHER THAT** the Board of Directors or its Committee be and is hereby authorized from time to time to amend, alter or otherwise vary the terms and conditions of the appointment of Mr. Marc Lopresto including remuneration, provided that such remuneration shall not exceed the maximum limits for payment of remuneration as may be admissible to him, within the overall limits specified by the Schedule XIII to the Companies Act,1956";

**By the Order of the Board**
**For Polygenta Technologies Limited**

Place: Mumbai
Date: 12.08.2011

**Subodh Maskara**
Chairman

**NOTES:**

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**

2. Members are requested to notify immediately any change in their addresses.

3. Shareholders desiring any information as regards the accounts are requested to write to the company at an early date, so as to enable the management to keep information ready.

4. The requisite explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 is attached hereto for items of special business listed in Item No. 4 of the notice.

**Explanatory Statement Pursuant to Section 173 (2) of the Companies Act, 1956.**

**Item No. 4**

Mr. Marc Lopresto has been working with the Company in Finance with effect from 7th January 2008 as Chief Financial Officer of the Company. Taking into consideration the contribution he has made to the Company in reconstituting and recapitalizing the Company, the Board appointed him as Wholetime Director of the Company with effect from 20th September 2010.

The Remuneration Committee at the Meeting held on 15th November 2010 recommended the remuneration payable to Mr.Marc Lopresto which was accepted by the Board.

Mr.Marc Lopresto, aged 53 Years is MBA, Wharton (Finance and Strategy specialization); AB Economics (Honors) University of California, Berkeley. He has significant experience in M&A, restructuring and risk advisory, and project / venture capital fund raising.

Mr.Marc Lopresto holds 6,00,000 Equity Shares in the Company.

The Board recommends passing of this resolution.

Mr.Marc Lopresto may be deemed to be concerned or interested in this resolution. None of the other directors is interested in this resolution.

**By Order of the Board**
**For Polygenta Technologies Limited**

**Subodh Maskara**
Chairman

Place: Mumbai
Date: 12.08.2011

## DIRECTORS REPORT

To,
The Members of
**Polygenta Technologies Limited,**

The Directors take pleasure in presenting to you the **Twenty-Ninth** Annual Report and Audited Accounts for the financial year ended 31 March 2011.

### 1. FINANCIAL RESULTS:

| | April 10 -March 11 (12 Months) Rs. | Jan 09- March 10 (15 Months) Rs. |
|---|---|---|
| Income from Operation | 705,900,146 | - |
| **Profit /(Loss) before Depreciation & Interest** | 86,976,041 | 34,293,723 |
| Depreciation | 40,403,931 | 31,821,408 |
| Borrowing Cost | 19,920,642 | 8,124,721 |
| **Profit / (Loss) before tax** | 26,651,468 | (5,652,406) |
| Les : Provision for current Tax | 5,296,701 | - |
| Less: Provision for Deferred Tax | (4,069,066) | 49,095,669 |
| Less; Provision for Wealth Tax | 75,611 | 92,000 |
| Less; Provision for Fringe Benefit Tax | - | 455,841 |
| **Profit / (Loss) after tax** | 25,348,222 | (55,295,915) |
| Balance of loss b/f from previous period | (37,402,861) | (156,969,645) |
| Less:Reduction in Share Capital as a result of Capital Reduction | - | 174,862,700 |
| **BALANCE OF LOSS CARRIED TO THE BALANCE SHEETS** | (12,054,639) | (37,402,861) |

### 2. DIVIDEND

The Company is in a high growth phase that requires significant ongoing investment. The Directors believe it is more prudent to reinvest profits into the business and therefore do not recommend declaration of dividend for the year ended 31 March 2011.

### 3. CORPORATE ACTIONS:

CCPS conversion

The compulsory convertible preference shares ('CCPS') as allotted by the Company were converted into equity shares during the current year. As the CCPS conversion on 20 September 2010 raised the ownership percentage of AlphaPET Ltd. ("AlphaPET") beyond the threshold of 15% of the voting share capital of the Company, AlphaPET, together with Aloe Environment Fund II FCPR ("Aloe") and Green Investment Asia Sustainability Fund I ("GIASF") (i.e. persons acting in concert 'PAC') made an Open Offer to acquire 20% of the voting share capital (on a fully diluted basis) from existing equity shareholders as required by Regulation 10 read with Regulation 12 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers), Regulations, 1997 ('SEBI(SAST)').

The offer was made to purchase shares at a cash price of Rs 10 per equity share. However, no shares were tendered by the public in the Open Offer thereby leaving the shareholding pattern unaltered after the closure of the Open Offer.

With the above conversion, AlphaPET and the PAC acquired significant control of the Company. Accordingly, the conclusion of the Open Offer resulted in a change in the composition of the Promoters and Promoters' Group.

**Repayment of OFCD of IFCI**

During the final quarter of the year, the Company redeemed in full the optionally fully convertible debenture of Rs. 30,000,000 previously issued to IFCI. With this redemption, the Company ceased to have any further financial indebtedness to the group of lenders with which it had agreed a one-time-settlement as part of the Company's de-registration from the BIFR that became effective July 2009.

**Establishment of ESOP Trust:**

During the year, Polygenta had been exploring implementing an ESOP (Employee Stock Option) Scheme for the benefit of its employees. A Private Trust in the name of 'Polygenta Stock Option Trust" was established under Indian Trust Act, 1882 on 28 February 2011. This proposal for setting up an ESOP Scheme has been initiated with the support of AlphaPET Ltd., a Promoter and the largest single shareholder of the Company.

Pursuant to SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, (SEBI ESOS Guidelines) the Compensation Committee will formulate the Employee Stock Option Scheme (ESOP Scheme) which will be placed before the Board for its consideration. Once the ESOP Scheme is formulated in accordance with ESOS Guidelines, the Shares held by the Trust will be vested in accordance with the ESOP Scheme.

**Change in the registered Office**

In the final quarter of the year, the Company moved its registered office from 128 Jolly Maker Chambers II, Nariman Point, Mumbai 400021, to Dipti Classic, Suren Road, 3rd floor, B wing, unit no 302, Andheri(E), Mumbai:400093.

**4. PROJECT AND OPERATIONAL STATUS OF INDIA'S FIRST FULLY INTEGRATED ENVIRONMENTALLY BENEFICIAL, SUSTAINABLE POLYESTER FILAMENT YARN ("PFY") PLANT**

As indicated in Directors' report of the audited financial accounts for the year ended 31 March 2011, the plant was expected to commence production on an integrated basis by Quarter 3 ("Q3") of the financial year ended 31 March 2011 ('FY11").

In fact, partial commercial operations were commenced in Quarter 2 ("Q2") of FY11 to activate the company supply chain and build its customer base. The project started generating revenues by Q2 of FY11 and on integrated basis by Quarter 4 ("Q4") of FY11.

Notwithstanding the relatively modest scale of the Nashik Plant, state-of-the-art capital equipment provides operating efficiencies (e.g. utilities consumption relative to its scale) and the integrated plant configuration provides further savings versus industry convention (e.g. avoiding packing and freight costs associated with shipping products between chip, spinning and texturising stage manufacturers). The plant has the technological flexibility to operate both on a stand-alone virgin basis and with the added benefit of operating the ReNEW unit that enables using reprocessed PET bottles as a partial substitute for polyester's conventional petrochemical feedstocks, PTA and MEG.

During the year, the Company appointed Gerard De Nazelle as the Chief Executive Officer of the Company. Prior to joining Polygenta, Gerard had a distinguished career with the Shell Group with leadership level responsibility for commissioning, operating, and conducting the commercial affairs of large petrochemical plants in Asia. In his last position with Shell he was Global Manager Research and Innovation, responsible for shaping the technologies for all Shell businesses (E&P, G&P, and downstream). Gerard is a chemical engineer with a PhD in Physics (Delft University of Technology, the Netherlands).

**Health and Safety and Implementation of Key Processes**

A systematic approach to managing Health, Safety, and Environmental ("HSE") risks is a must to realise world-class safety and environmental performances. It is of even more significance for Polygenta, as we are promoting new products and business models to support sustainable growth.

Polygenta operates under a clear set of business principles, supported by policies and business controls. These include a systematic approach to HSE management, which is defined in Polygenta's HSE Management System ("HSE-MS").

The purpose of Polygenta's HSE-MS is to ensure that risks, associated with hazards and behaviours, are controlled at a level as low as reasonably practicable. The HSE-MS defines the controls necessary to manage HSE, outlines the role and responsibilities of staff and contractors so as to fulfil the requirements of the HSE policy, and complements the other business controls (specifically the ISO 9001 Quality Manual and ISO 14001 International Environmental Standard).

**Four main control programmes are at the core of Polygenta's HSE-MS:**

- the "Permit-to-Work" (PtW): work in Polygenta's process units can only be carried out under one of the four (4) types of work permits;
- the "Management of Change" (MoC) defines the "Plant Change Procedure" (PCP), which brings together the authorised signatories of the various engineering and technical disciplines to review and approve a change proposal;
- the scheduled inspection of equipment according to the relevant regulatory requirements; and
- the "operating window" which defines conditions within which a production unit must be operated to produce on-spec products in a reliable, low cost, sustainable, and safe manner.

**Two main additional tools support Polygenta's HSE control programmes:**

- "safe place safe visits" are carried out on a daily basis by one member of the Leadership Team and the HSE Manager, according to a monthly roster. Observations for both unsafe acts and conditions as well as good safety practices are recorded. These records provide the basis to implement corrective actions and share learning. Follow-up analyses of trends are also used to guide safety improvement initiatives.

- "learning-from-incidents" (LfI) is our means to report and investigate near-misses, incidents and injuries, and general employee concerns for safety at work. The level of investigation of a near-miss/incident is determined by its potential impact on people, assets, environment, and reputation, using a "risk assessment matrix". General Failure Trends (GFTs) are analysed and these insights are converted into actions and improvements.

Finally, by being prepared for an emergency crisis through its Emergency Response Plan (ERP), Polygenta is committed to safeguard personnel on-site and minimise both damage to property and impact to the environment. A Duty Roster (at both site and unit levels, with dedicated mobile numbers) ensures that essential staff are available outside of normal working hours to control any HSE crisis.

**ISO Certification**

End-customers that prefer sustainable suppliers generally require suppliers to operate at high international standards. To ensure that Polygenta fulfils its own corporate credo and is positioned favourably in manufacturing and selling sustainable polyester, it has already implemented SAP and is working to become compliant with ISO 9000 (Quality); ISO 14000 (Environment) and OHSAS 18001 (Health and Safety). As part of its investment agreements with its investors, Polygenta has also undertaken to fulfil all core ILO conventions and meet the more stringent of Indian and IFC (World Bank) environmental standards.

**5. EXPORTS**

During the year, Polygenta earned significant export revenue from delivering various operating, engineering and risk management advisory consultancies amounting to Rs. 204,179,499 and made significant progress in developing export clientele that will help in building a brand image for our company in international markets.

**6. PARTICULARS OF EMPLOYEES: -**

As per provisions of section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the name and other particulars of the employee as on 31st March 2011 is as below:

| Name | Age | Designation | Remuneration (Rs) | Qualification | Commencement of Employment | Experi ence | Last Employer |
|---|---|---|---|---|---|---|---|
| *Subodh Maskara | 45 | Managing Director | 3,580,000 | M. Com, MBA | 01-Apr-89 | 24 | CS First Boston, UK |

*Mr.Subodh Maskara was Managing Director up to 20th September 2010. The Remuneration pertains to the period from 1st April 2010 to 20th September 2010. Since then, he has been Non-Executive Chairman of the Company.

**7. DISCLOSURE OF PARTICULARS**

As per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 further information relating to conservation of energy, research and development, technology absorption, foreign exchange earnings and outgo, is given in Annexure 'I' forming part of this report.

**8. DIRECTORS**

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Vinit Baid retires by rotation and being eligible, offers himself for re-appointment.

During the year under review, Mr.Santosh Maskara and Mr. Amit Haria resigned and were relieved from the post of Director. Mr.Subodh Maskara, Managing Director, was promoted to Chairman (Non Executive) with effect from 20th September 2010. Mr.Awadhesh Kumar was appointed as Nominee Director of IFCI Ltd. in place of Mrs. Manju Jain with effect from 28th August 2010. Ms.Vasantha Govindan was appointed as Nominee Director of Special Undertaking of Unit Trust of India (SUUTI).

Mr. Marc Lopresto was appointed as Wholetime Director with effect from 20th September 2010 by the Board of Directors. His appointment and remuneration will be confirmed by the shareholders at the AGM.

**9. DIRECTORS' RESPONSIBILITY STATEMENT**

The statement as required under Section 217 (2AA) of the Companies Act, 1956 is given in Annexure 'II' forming part of this Report.

**10. AUDITOR**

M/s Lodha & Co, Auditors of the Company retire at the ensuing AGM and are eligible for reappointment. Members are requested to reappoint the Auditors and to fix their remuneration.

**11. AUDITORS QUALIFICATION**

The qualifications given in the Auditors report are self explanatory and are further explained in detail in the notes to accounts given in Schedule '20' and therefore do not call for any other comments.

**12. FIXED DEPOSITS**

The Company has not accepted / renewed any deposits from the public during the year.

**13. INSURANCE**

The Company has insured its assets adequately with insurance companies.

**14. CORPORATE GOVERNANCE**

Your Company has complied with the Corporate Governance requirements stipulated under Clause 49 of the Listing Agreement. The Report on Corporate Governance is annexed as Annexure 'III' forming part of this Report.

**15. MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT**

The Management Discussion and Analysis Report, as required under the Listing Agreement with the Stock Exchange, is annexed as Annexure 'IV' forming part of this Report.

**16. INDUSTRIAL RELATIONS**

Cordial industrial relations continued to prevail throughout the financial year under review.

**17. MEGA-PROJECT STATUS**

The Nashik project is qualified for Mega Project status in Maharashtra on the basis of a capital investment of Rs. 250 Crores related to the Nashik site for the manufacture of POY and DTY. On completion of investment criteria, the Company will be in a position to derive all Mega Project benefits from Department of Industries, Maharashtra.

**18. ADDITIONAL INFORMATION ON DIRECTORS RECOMMENDED FOR APPOINTMENT / REAPOINTMENT OR SEEKING ELECTION AT THE ANNUAL GENERAL MEETING AS PRESCRIBED UNDER THE LISTING AGREEMENT :**

Mr.Marc Lopresto, aged 55 Years has an MBA from Wharton (Finance and Strategy specialisation) and an AB Economics (Honours) University of California, Berkeley. He has considerable experience in M&A, restructuring and risk advisory, and project / venture capital fund raising.

He is Director in GFS Capital (UK) Limited.

He is also committee member of Audit Committee, Shareholder Grievance and Share Transfer Committee; CCPS Conversion Committee and Allotment Committee.

He holds 6,00,000 equity Shares in the Company.

Mr.Vinit Baid, aged 38 Years has 13 Years of diverse business experience. He is a commerce graduate. His commercial experience and energy has enabled him to make notable contribution to the Company's development. He is presently an Independent Director on the Board of Directors.

He is Director in Fuji Steel Industries Limited.

He is also committee member of Audit Committee, Shareholder Grievance and Share Transfer Committee; Remuneration Committee, CCPS Conversion Committee and Allotment Committee.

**19. ACKNOWLEDGEMENT**

The Board wishes to place on record its appreciation of the valuable co-operation extended to the Company by the employees of the Company, Government Departments, Lending Institutions, Bankers, Suppliers, and Customers for their support to the Company.

**FOR AND ON BEHALF OF THE BOARD**

**Subodh Maskara**
**Chairman**

Place: Mumbai
Date: 03.06.2011

**ANNEXURE 'I' TO DIRECTORS' REPORT**

**ADDITIONAL INFORMATION AS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.**

**CONSERVATION OF ENERGY -**

Polygenta is committed to create long-term value for our customers on an economically, environmentally, and socially sustainable basis: the pursuit of operational excellence in all our manufacturing activities is part of this commitment to "sustainable development", and energy efficiency is a key element of our operational excellence target.

**Polygenta's efforts to maximise energy efficiency focuses on three main areas:**

- the efficient generation and usage of energy thanks to modern equipment, world-class design engineering practices and advanced control systems: this includes for instance well engineered insulation in cold and hot services, combustion air pre-heaters integrated with the flue gas of the hot oil burners, an advanced (Maxsys) fuel combustion technology used for fired equipment, and fieldbus instrumentation and anti-surge controls of the air compressors.

- a number of heat-integration loops and flexible line-ups, such as the various compressed air arrangements between units with intensive compressed air usage.

- first-rate reliability performances of the plant, supported by outstanding operational and SAP-run maintenance work processes, by on-line UPS power backup for critical equipment, and by minimisation of grade changes.

**Additional Investments and Proposals, if any, being implemented for Reduction of Consumption of Energy:**

(a) The Company is working on "Energy Management Programme" to support a 10% reduction target of energy usage per ton product between 2011 (base line) and 2016. Necessary proposals are being evaluated.

(b) Total energy consumption and energy consumption per unit of Production as per Form A for disclosure of particulars with respect to the Conservation of Energy.

**A Power and Fuel Consumption**

Details related to commercial production

| | April 10 -March 11 (12 Months) Rs. | Jan 09- March 10 (15 Months) Rs. |
|---|---|---|
| **1. a) Electricity** | | |
| Purchased Units (KWH) | 4,795,537 | - |
| Total Amount (Rs. in millions) | 27.75 | - |
| Per Unit (Rs.) | 5.79 | - |
| **b) Own Generation Through Diesel Generator** | | |
| Units (KWH ) | Nil | - |
| Units per unit of fuel | Nil | - |
| Cost/Units (Rs) | Nil | - |
| **2. Furnace Oil** | | |
| Consumed Units (K.Ltrs.) | 287,594 | - |
| Total Amount (Rs. in millions) | 8.4 | - |
| Per Unit (Rs.) (Per .Ltrs.) | 29.07 | - |

**B. Consumption per unit of Production:**

**1. Electricity KWH/TON of Production**

| Particular | April 10 -March 11 (12 Months) | Jan 09- March10 (15 Months) |
|---|---|---|
| PET Partially Oriented Yarn | 901.37 | NA |
| PET Draw Texturised Yarn | 326.10 | NA |
| PET Polymer Chips | 88.33 | NA |
| Washed PET Flakes | 83.31 | NA |

**2. Foreign Exchange Earnings and Outgoings:**

| | April 10- March 11 (12 Months) | Jan 09- March 10 (15 Months) |
|---|---|---|
| Total Foreign Exchange Earned | 260,297,863 | 10,265,105 |
| Total Foreign Exchange used | 172,433,242 | 727,330,441 |

**3. Technology Absorption Adaptation and Innovation:**

The Company has implemented a process technology (ReNew) which efficiently and comprehensively recycles post-consumer PET bottles as a substitute for the conventional petrochemical feedstocks of polyester, without compromise to the production of high quality product.

The ReNew process is characterised by three main innovative features that makes it uniquely competitive, from an end product quality assurance point of view, and in terms of capital and operating costs:

(a) a patented reactor system, which allows the glycolysis reaction to be carried out at lower temperatures than typical for conventional glycolysis: the formation of by-products is thereby minimised and high quality PET can be obtained reliably with a distinctive end product quality control and assurance.

(b) a patented adsorption process for colour pigments - thereby broadening the range of feedstock to coloured bottles, a distinctive edge of the ReNew process.

(c) a number of key engineering features, which range from the mechanical transport of materials, to the technology transfer of filters and specialised evaporators, used successfully in the food manufacturing industry to control critical product properties.

The ReNew plant was commissioned in January 2011 and has produced on-spec oligomer for producing blended and 100% recycled base polyester yarns.

**FOR AND ON BEHALF OF THE BOARD**

**Subodh Maskara**
**Chairman**

Place: Mumbai
Date: 03.06.2011

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**ANNEXURE 'II' TO DIRECTORS' REPORT**

Directors' Responsibility Statement as required under section 217(2AA) of the Companies Act, 1956 (The Act):
It is hereby confirmed :

(i) That in the preparation of the annual accounts for the Period ended 31 March 2011; the applicable accounting standards have been followed. There are no material departures from the applicable accounting standards;

(ii) That the Directors had 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 of the profit /loss of the Company for that year;

(iii) That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) That the Directors had prepared the annual accounts on a going concern basis.

**FOR AND ON BEHALF OF THE BOARD**

**Subodh Maskara**
**Chairman**

Place: Mumbai
Date: 03.06.2011

## ANNEXURE 'III' TO DIRECTORS' REPORT

## REPORT ON CORPORATE GOVERNANCE

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

The Company's philosophy on Corporate Governance is to create shareholder wealth and stakeholder well-being through growth achieved sustainably with environmental stewardship and the utmost concern and care for health and safety of the Company employees and its associated communities, while conducting all aspects of the Company's activities with a very high standard of transparency, disclosure, internal controls, and accounting fidelity. The Company also complies with the listing requirements of the stock exchange where its shares are listed. The following is a report on the status and progress on major aspects of Corporate Governance.

### 2. Board of Directors

The Composition of the Board of Directors of the Company meets the stipulated requirements

| Name of Director(s) | Category of Directorship | No. of other direct—orship | No. of Committee membership /Chairmanship | No. of Committee membership/ chairmanship in all other companies | No. of Board Meetings attended | Attendance at last AGM |
|---|---|---|---|---|---|---|
| *Mr. Santosh Maskara | Non-Executive | 4 | 5 | - | 1 | Yes |
| **Mr. Subodh Maskara | See Note | 3 | 4 | - | 8 | Yes |
| Mr. Vinit Kumar Baid | Non-Executive Independent | 1 | 5 | - | 5 | Yes |
| ***Mr. Amit Haria | Non-Executive Independent | - | 4 | - | 3 | Yes |
| ****Mr. Fredrik Wijkander | Non-Executive | 1 | - | - | 1 | No |
| *****Mrs. Manju Jain | Nominee Director | 2 | - | - | - | No |
| Mr. Awadhesh Kumar | Nominee Director | - | - | - | 6 | No |
| Ms. Vasantha Govindan | Nominee Director | - | - | - | 6 | No |
| ******Mr. Marc Lopersto | Executive | 1 | 4 | - | 7 | No |

The Company has held 12 board meetings during the year ended 31 March 2011. These board meetings were held on the following dates: 19 May 2010, 28 May 2010, 3 August 2010, 13 August 2010, 28 August 2010, 20 September 2010, 15 September 2010, 15 November 2010, 19 January 2011, 10 February 2011, 14 March 2011, and 18 March 2011. The last Annual General Meeting (AGM) was held on 9 July 2010.

* Mr.Santosh Maskara resigned on 20 September 2010 and accordingly was relieved from his duties with effect from closing of working hours of 20 September 2010.

**Mr. Subodh Maskara was promoted from Managing Director to Chairman (Non Executive) with effect from 20 September 2010.

*** Mr.Amit Haria resigned on 20 September 2010 and accordingly was relieved from his duties with effect from closing of working hours of 20 September 2010.

****Mr. Fredrik Wijkander who lives in Sweden, participated by way of conference call in 5 Board Meetings and personally attended 1 Board Meeting.

*****Mr.Awadhesh Kumar was appointed as Nominee Director of IFCI Ltd. in place of Mrs. Manju Jain with effect from 28 August 2010.

******Mr.Marc Lopresto was appointed as Wholetime Director with effect from 20 September 2010.

**3. Audit Committee**

The Audit Committee consisted of four Directors up to 15 November 2010 with one of the four Directors being an Executive Director. With effect from 16 November 2010, it consisted of only three Directors. The committee was set up by the Board of Directors on 22 April 2001. The terms of reference of the Audit Committee are as per the guidelines set out in the listing agreement, include overseeing financial reporting processes, reviewing with the management the financial statements, accounting policies and practices, adequacy of internal control systems, adequacy of internal audit function and discussion with internal auditors on any significant findings, financial and risk management policies. During the year ended 31 March 2011, four Audit Committee Meetings were held. These were held on 28 May 2010, 13 August 2010, 15 November 2010, and 10 February 2011.

| **Name of Director** | **Profession** | **No. of meetings attended** |
|---|---|---|
| Mr. Amit Haria* | Service | 2 |
| Mr. Santosh Maskara** | Industrialist | 1 |
| Mr. Subodh Maskara | Industrialist | 3 |
| Mr. Vinit Kumar Baid | Service | 3 |
| Mr. Marc Lopresto*** | Service | 2 |

* Mr. Amit Haria was Chairman of the Audit Committee up to 20 September 2010. On resignation of Mr.Amit Haria, Mr.Vinit Baid was appointed as Chairman of the Audit Committee.

** Mr. Santosh Maskara and Mr. Amit Haria resigned on 20 September and accordingly were relieved form their duties with effect from closing of working hours of 20 September 2010.

***Mr.Marc Lopresto was appointed as Committee Member with effect from 20 September 2010.

With effect from 16 November 2010, the Audit Committee consisted of 3 Directors as under:
Mr.Vinit Baid, Chairman
Mr.Subodh Maskara
Mr.Marc Lopresto

**4. Shareholder Grievance and Share Transfer Committee Meeting:**

The Board constituted a “Shareholders Grievance & Share Transfer Committee” on 22 April 2001, which is responsible for investigating any shareholder and investor grievances. The Company Secretary in his capacity as 'Compliance Officer' is responsible for expediting share transfer formalities and solving shareholders grievances. During the year ended 31 March 2011, forty Committee Meetings were held. Composition and attendance at the meeting of the said Committee are as under:

| Name of Director | No. of meetings attended |
|---|---|
| *Mr. Santosh Maskara, Chairman | - |
| Mr. Vinit Kumar Baid | 40 |
| Mr. Subodh Maskara | 25 |
| *Mr. Amit Haria | 23 |
| **Mr.Marc Lopresto | 17 |

There were no complaints received during the year. The number of pending share transfer applications as on 31 March 2011 was nil.

*Mr.Santosh Maskara and Mr.Amit Haria resigned on 20 September 2010 and accordingly were relieved from their duties with effect from closing of working hours of 20 September 2010.

**Mr.Marc Lopresto was appointed as Committee Member with effect from 20 September 2010.

With effect from 20 September 2010, the Shareholders Grievance and Share Transfer Committee consists of three Directors as under:
Mr. Vinit Baid, Chairman
Mr. Subodh Maskara
Mr. Marc Lopresto

**Remuneration Committee**

The Remuneration Committee was formed to review the remuneration paid to the Managing and Whole time Directors from time to time.

**Name of Directors:**

1) Mr. Vinit Kumar Baid
2) Mr. Santosh Maskara
3) Mr. Amit Haria

Mr. Santosh Maskara and Mr. Amit Haria resigned on 20 September 2010 and were accordingly relieved from their duties with effect from closing of working hours on 20 September 2010. Mr. Subodh Maskara was appointed as a Member on Remuneration Committee on that day.

The Remuneration Committee has consisted of the following members with effect from 20 September 2010.

1) Mr. Vinit Kumar Baid
2) Mr. Subodh Maskara

The Remuneration Committee meeting was held on 28 May 2010 to review the remuneration of Mr. Subodh Maskara, Managing Director and on 15 November 2010 to review the remuneration of Mr. Marc Lopresto, Wholetime Director.

Details of remuneration paid to Mr.Subodh Maskara, Managing Director:-

| | |
|---|---|
| Salary | Rs.34,00,000/- |
| Co's Contribution to Provident Fund | Rs. 1,80,000/- |

Details of remuneration paid to Mr.Marc Lopresto as Wholetime Director:-

| | |
|---|---|
| Salary | Rs.10,12,459/-* |
| Co's Contribution to Provident Fund | Rs. 76,400/- * |

*This amount pertains to the period from 20 September 2010 (date of appointment) to 31 March 2011. Prior to 20 September 2010, Mr.Marc Lopresto was not a director and served solely in the capacity as the Company's Chief Financial Officer.

**5. Allotment Committee**

On 16 March 2009, Allotment Committee was formed to consider the allotment of Compulsory Convertible Preference Shares ("CCPS"), and other securities, including but not limited to Optionally Fully Convertible debentures ("OFCD") from time to time.

Name of Directors:
1) Mr. Santosh Maskara
2) Mr.Subodh Maskara
3) Mr. Amit Haria
4) Mr. Vinit Kumar Baid

Mr. Santosh Maskara and Mr. Amit Haria resigned on 20 September 2010 and were accordingly relieved from their duties with effect from closing of working hours on 20 September 2010. Mr.Marc Lopresto was appointed with effect from 20 September 2010 as a Member. Thus, with effect from 20 September 2010, the following directors were members of the Allotment Committee:

1) Mr.Subodh Maskara
2) Mr. Marc Lopresto
3) Mr. Vinit Kumar Baid

No meetings of the Allotment Committee were held during the year under review.

**6. CCPS Conversion Committee**

On 20 September 2010, CCPS Conversion Committee was formed to consider the conversion / transfers of Compulsory Convertible Preference Shares ("CCPS"). Mr. Subodh Maskara and Mr. Marc Lopresto were appointed as Members.
Mr.Vinit Kumar Baid was co-opted as an additional member at the Meeting held on 2 March 2011 and accordingly the CCPS Conversion Committee consisted of the following members with effect from 2 March 2011:

Name of Directors:
1) Mr.Subodh Maskara
2) Mr. Marc Lopresto
3) Mr. Vinit Kumar Baid

Four meetings of the CCPS Conversion Committee were held during the year ended 31 March 2011. These meeting were held on 26 October 2010, 2 March 2011, 15 March 2011, and 19 March 2011.

**7. General Body Meetings**

The previous three Annual General Meeting were held as per the details given below:

| Year | Day | Date | Time | Venue |
|---|---|---|---|---|
| 2008 | Tuesday | 30.09.2008 | 11:00 a.m | 128, Jolly Maker Chambers II, Nariman Point, Mumbai - 400021 |
| 2009 | Wednesday | 29.04.2009 | 11:00 a.m | 128, Jolly Maker Chambers II, Nariman Point, Mumbai - 400021 |
| 2010 | Friday | 9.07.2010 | 11:00 | 128, Jolly Maker Chambers II, Nariman Point, Mumbai - 400021 |

At the Annual General Meeting held on 30 September 2008, a special resolution was passed for increasing the remuneration of the Managing Director.

No Special Resolution was put through postal ballot last year nor proposed this year.

**8. Disclosures**

There were no transactions carried out during the year ended 31 March 2011 with any related parties, i.e. Promoters, Directors, Relatives, Subsidiaries, or Management except payment of remuneration to the Managing Director and rent in the normal course of business. Please refer to Note B(8) in Schedule 20.

The Company has complied with the requirements of the Stock Exchange, SEBI and other statutory authorities on all matters related to capital markets during the last three years. No penalties or strictures have been imposed on the Company by the said authorities. However, the Company has paid Rs.5,00,000/- towards Compounding Fees to Reserve Bank of India subsequent to the year-end towards compounding of certain delays in filing of documents. The Company has complied with all of the mandatory requirements of Clause 49 of the Listing Agreement. The Company is in the process of adopting the non-mandatory requirements of Clause 49 in due course.

**9. Means of Communication**

The quarterly results are usually published in The Asian Age (English Newspaper) and Tarun Bharat or Mahanayak (Marathi Newspapers).

**10. General Shareholder Information**

**A. The 29th Annual General Meeting**

| Day | Date | Time | Venue |
|---|---|---|---|
| Tuesday | 20th Sept. 2011 | 03.00 P.M. | B-302, Dipti Classic Premises, Suren Road, Andheri(E), Mumbai-400093 |

**B. Financial Calendar**

| | |
|---|---|
| **Financial Year** | 1 April to 31 March (from April 2010 onwards) |
| **Adoption of Quarterly Results for quarter ending :** | |
| June, 2011 | Third week of August, 2011 |
| September, 2011 | Third week of November, 2011 |
| December, 2011 | Third week of February, 2012 |
| March, 2012 | Last week of May 2012 |
| **Annual Book Closure** | 17 September 2011 to 20 September 2011 (both days inclusive) |
| **Dividend Payment Date** | Not Applicable as no dividend is recommended. |

**C. Listing on Stock Exchanges:**

The Equity Shares of the Company are listed on the Bombay Stock Exchange Ltd.,

Stock Code: 514486

ISIN : INE 441D01020

The Company has paid the annual listing fees for the year 2010-11 to the said exchange.

**D. Market Price Data:**

| Month | Bombay Stock High | Exchange Low |
|---|---|---|
| May 2010 | 42.60 | 36.90 |
| June 2010 | 46.90 | 44.70 |
| July 2010 | 65.75 | 49.20 |
| August 2010 | 60.50 | 46.55 |
| September 2010 | 57.40 | 51.20 |
| October 2010 | 58.80 | 50.60 |
| November 2010 | 75.00 | 57.00 |
| December 2010 | 56.50 | 53.00 |
| March 2011 | 53.05 | 47.90 |

The Company's shares were not traded on the Stock Exchange on a daily basis. Hence the high and low prices of the shares are given as and when the shares were traded.

**E. Registrar and Share Transfer Agents:**

The name and address of the Company's Share Transfer Agents is as under:
M/s Universal Capital Securities Pvt. Ltd. (formerly Mondkar Computers Pvt. Ltd.)

21, Shakil Niwas, Opp. Satya Saibaba Temple Mahakali Caves Road, Andheri (E) Mumbai : 400 093 Phone No.: 28207203 / 28257641 Telefax: 2820 7207

**F. Share Transfer system:**

With a view to expedite the process of share transfers, the Board of Directors has delegated the power of share transfer to the Share Transfer Agents. Shares for transfer are processed expeditiously within three weeks in case of physical transfers.

**G. Dematerialisation of Shares :**

The Company has entered into a contract with CDSL and NSDL.
As on 31 March 2011, 59.63 % of the Company's shares were held in dematerialized form

**H. Shareholding Pattern as on 31 March 2011**

| Category | No. of Shares | % |
|---|---|---|
| Promoters | 91,214,500 | 74.37% |
| Banks, Financial Institutions | 2,896,594 | 2.36% |
| Bodies Corporate | 545,362 | 0.44% |
| NRIs/OCBs | 19,359,361 | 15.78% |
| Public | 8,639,948 | 7.05% |
| **Total** | 122,655,765 | 100.00% |

### I. Distribution of Shareholding as on 31st March 2011

| Share Holding (Rs.) | | | Share Holders Number | % of Total | Share Holdings Holdings | % Total | Share Amount Rs. | % Total |
|---|---|---|---|---|---|---|---|---|
| 1 | | | 2 | 3 | 4 | 5 | 6 | 7 |
| Upto | | 500 | 1,097 | 94.814 | 37,266 | 0.030 | 372,660 | 0.030 |
| 501 | - | 1,000 | 14 | 1.210 | 11,540 | 0.009 | 115,400 | 0.009 |
| 1,001 | - | 2,000 | 8 | 0.691 | 13,155 | 0.011 | 131,550 | 0.011 |
| 2,001 | - | 3,000 | 1 | 0.086 | 2,510 | 0.002 | 25,100 | 0.002 |
| 3,001 | - | 4,000 | 2 | 0.173 | 7,250 | 0.006 | 72,500 | 0.006 |
| 4,001 | - | 5,000 | 1 | 0.086 | 4,900 | 0.004 | 49,000 | 0.004 |
| 5,001 | - | 10,000 | 3 | 0.259 | 20,690 | 0.017 | 206,900 | 0.017 |
| 10,001 | and above | | 31 | 2.679 | 122,558,454 | 99.921 | 1,225,584,540 | 99.921 |
| **TOTAL** | | | **1,157** | **100.000** | **122,655,765** | **100.000** | **1,226,557,650** | **100.000** |

Liquidity of Shares: The Equity Shares of the Company are included under T category at the Bombay Stock Exchange, Mumbai.

**J. Plant location:**
Gut No. 265/2,266, Village Avankhed, Taluka Dindori, Dist Nashik 422 201.

**K. Address for Correspondence:**
The Shareholders may address their communications /suggestions /grievances/ queries to:

Company Secretary
POLYGENTA TECHNOLOGIES LIMITED
B-302, Dipti Classic Premises,
Suren Road, Andheri(E), Mumbai-400093.

OR

The Registrar and Transfer Agents
M/s Universal Capital Securities Private Limited (formerly M/s. Mondkar Computer Services Private Limited)
25, Shakil Niwas, Opp. Satya Saibaba Temple
Mahakali Caves Road, Andheri (East)
Mumbai 400 093.

### 11. Auditors' Report on Corporate Governance:

To,
The Board of Directors,
Polygenta Technologies Limited

We have examined the compliance of conditions of Corporate Governance by Polygenta Technologies Limited ("the Company"), for the year on March 31, 2011, as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchanges of India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of the 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 and based on the representations given by the management of the company, we certify that the Company has complied in all material respects with the conditions of Corporate Governance, except inter alia for non-compliance of Clause 49-II (A) regarding the required no. of independent members in the Audit Committee, as stipulated in the above mentioned Listing Agreement.

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

**For LODHA & CO.**
**Chartered Accountants**
Firm Registration No: 301051E

**A. M. Hariharan**
Partner
Membership No. 038323

Place: Mumbai
Date: 3 June, 2011

**ANNEXURE 'IV' TO DIRECTORS REPORT**

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Overview

Polygenta's strategic objective is to become a leader in manufacturing high quality, sustainable Polyester Filament Yarn ("PFY") using reprocessed post-consumer polyester bottles (p-cPET) as a major feedstock. With a master license conferring exclusive global rights to the patented ReNEW Process for manufacturing high quality polyester filament yarn textiles using recycled PET feedstocks, Polygenta is uniquely positioned to play a leading role in this sustainable segment generally insulated from the price-driven, more commoditised segments of the polyester market.

PFY is woven to make fabrics for a wide range of retail and industrial products including apparel, home textiles (e.g. curtains, bedding, and carpeting) automotive surfaces, and industrial uses. Large portions of these segments are supplied with standardised, commodity-grade yarns, a significant share of which is manufactured by large dominant industry players driven by scale-economies. In contrast, the sustainable PFY segment is smaller but a premium, specialist segment. Polygenta intends to target this segment with smaller plants that are nevertheless cost-competitive because of the comparatively lower cost p-cPET feedstock that is used together with conventional PTA and MEG.

Polygenta currently operates from a single plant near Nashik in the state of Maharashtra in India. The plant is 100% integrated from feedstock (both conventional petrochemicals and p-cPET) through to the manufacturing of filament drawn texturised yarn ("DTY") with the flexibility to operate using solely conventional PTA and MEG or a blend of these feedstocks and p-cPET.

### Strategy

Initially, Polygenta intends to establish its reputation as a reliable and consistent supplier of high quality PFY in a select few product segments with customers interested in buying conventional DTY from standard feedstocks and/or DTY made in which p-cPET is used as a partial replacement feedstock for conventional PTA and MEG feedstocks. We will access these markets working both with supply chain partners and, where opportunities arise, by directly approaching end customers (e.g. branded retailers of denim jeans, linens, etc.)

By the nature of this sector, i.e. sustainability, Polygenta anticipates that its products, processes, and overall corporate performance will need to meet and maintain high standards of performance. That said, it is expected that in meeting and exceeding these standards, Polygenta will be active primarily in a specialist segment materially insulated from the cost-driven, highly competitive and volatile dynamics of the more commoditised PFY segments. Polygenta plans on leveraging its commercial and technological advantage to build collaborative, mutually rewarding partnerships with its immediate customers (fabric manufacturers) and ultimate customers (international brands). These partnerships are expected to be characterised by close, coordinated planning of volumes, timing, product modifications and innovations, etc. which in turn should provide greater stability in operations and financial results.

As we establish our reputation in these segments, we will then seek to extend ourselves into other product applications in parallel segments, so as to establish a broader customer base, built on a branded reputation for quality, reliability, and value.

In the future, this product and customer base will provide the foundation for Polygenta's expansion in production volumes (organically or possibly a joint venture or acquisition if the circumstances are appropriate). Polygenta intends to focus only on manufacturing to the PFY yarn stage. That is, Polygenta does not intend to integrate further downstream to fabrics or apparel.

To help ensure a successful pursuit of this strategy, Polygenta is committed to being an enterprise that excels in innovation, building mutually rewarding partnerships with all stakeholders, sustainability, and empowerment.

### Progress over the Past Year

Over the past year, Polygenta completed the Nashik plant project with all five of its production units now successfully commissioned (p-cPET feedstock preparation "FSP"; the "ReNEW" p-cPET reprocessing unit, the continuous polymerisation unit or "CP", POY spinning and the DTY texturising unit). With the Indian PFY sector, it is unusual to build a 100% fully integrated greenfield plant all at once, let alone integrate an exclusively licensed PET recycling unit at the same. So in addition to the challenges typically faced in starting up a conventional polyester plant, the Nashik project faced additional challenges unique to this one-of-a-kind plant.
To manage this challenge optimally, the plant was commissioned stepwise, starting with both the p-cPET feedstock preparation and the DTY units. In the latter half of the fiscal year, both of these units operated, though not at full capacity due to a combination of tight market conditions and working capital constraints. The

p-cPET unit processed post-consumer bottles and raw flake both for stockpiling as ReNEW feedstock and for sale. This helped establish and regularise the Company's network of suppliers of p-cPET. The DTY unit texturised POY purchased from third parties. Through these sales, the Company was able to develop and stabilise its customer base ahead of the more working capital intensive plant operations on a fully integrated basis.

Both the ReNEW unit and the CP, in conjunction with the POY units, were commissioned in the last quarter of the fiscal year. The exceptional dedication, innovation, and flexibility repeatedly exhibited by the Polygenta personnel, our equipment suppliers and contractors are to be truly commended.

**Operating Results and Financial Condition**

For a substantial portion of the fiscal year ending 31st March 2011, the Company was in project mode, completing the Nashik project. Accordingly, during the year, company started partial commercial operation in Quarter 2, 2010-11 and in full by Quarter 4, 2010-11 generating revenue of Rs. 538.9 million from the sale of goods.

During the financial year, the company also entered into an arms-length commercial agreement to advise AlphaPET Ltd ('AlphaPET'), the licensor of ReNEW technology, on various aspects of the ReNEW Technology. In addition to being deployed for the manufacturing of polyester textile products, the ReNEW process has comparable applicability for the PET bottle grade resin and PET film sectors. In anticipation of building the foundation for enterprises focused on these two sectors, AlphaPET sought the advisory services of Polygenta on various pertinent aspects. Per the agreement, the company booked a total income of Rs. 204.1 million from these advisory projects, which is included under Other Operating Income.

Accordingly, sales of goods from the regular manufacturing operations taken together with the service income resulted in generating earnings before interest, depreciation, and tax of Rs. 87.0 million during the financial year ended 31 March 2011.

As of the end of the fiscal year, your Company's net worth totalled Rs 1,252.2 million. Following the conversion of Compulsory Convertible Preference Shares (CCPS), the entire net worth of the Company consists solely of Equity Shares. In March 2011, the company redeemed the Rs 30.0 million optionally convertible debentures held by IFCI. The total secured loans of the company are Rs 1,341.3 as of 31st March 2011. In May 2011, after the balance sheet closing date, the Company received a sanction for a Rs 20.0 million working capital facility. This facility, along with previously existing ECB loan facilities and loan facility from Standard Chartered Bank are secured by charges over the Company's immovable and movable assets.

**Industry Outlook**

As it focuses on manufacturing polyester filament yarn using p-cPET as a primary feedstock, the Company will be seeking to establish itself as a significant player in a niche within one of the larger Indian industrial sectors that is an important foreign exchange earner. Polyester texturised yarn (the Company's product) is used directly by weavers to produce fabric which is turn made into garments, home textiles, and other products for domestic consumption and export. For various applications, texturised yarn is considered generally to be more cost competitive than yarn made from polyester staple fibre (“PSF”) as production of the latter is more energy intensive.

Sector-wide, the PFY sector is projected to grow at a CAGR of approximately 7% to 2013-14. The key drivers for this growth include:

- improved competitiveness internationally as a larger share of China's production is consumed domestically;
- the strength of growth in the domestic market driven both population growth and increases in disposable income; and
- relative competitiveness versus other natural and man-made fibres.

Management believes that the sustainable polyester filament yarn segment that Polygenta is targeting will grow at a materially faster rate than the overall PFY market. Many leading global apparel and home textile brands are publicly adopting challenging targets in 3-5 year time frames to manufacture a much larger percentage of their product line from environmentally compatible sources and suppliers. Management believes that demand for these products significantly exceeds supply and that this imbalance will continue for the foreseeable future.

**Risk Factors affecting our Business**

While there is a bright outlook for the polyester sector generally and the specialty segments of interest to Polygenta, the Company is cognizant that, inherent particularly in a sector such as polyester, one needs to be vigilant in identifying and actively and prudently managing risk inherent to the business.

Generally the Company categorises its risks in terms of market risk (including feedstock and product pricing, interest rate and foreign currency fluctuations), credit risk, infrastructure risk (hardware, software and IT) and operating risks (including but not limited to health, safety, and environmental risks).

The Company is seeking to manage its overall exposure to product, feedstock, and margin fluctuations through a number of steps including: diversifying suppliers, careful negotiation of supply contract terms and matching with sales contracts as feasible, and seeking benefits when possible from the use of substitute feedstocks.

Similarly, the Company intends to pursue actively export markets for its products first and foremost because of the excellent opportunities that the management believes these markets hold, but also because they provide a natural hard-currency hedge for its foreign currency denominated term debt obligations.

Management is also cognizant that its personnel are the core asset of the Company and that competition for talented personnel will only intensify in the future. To help ensure full development and optimal retention of this valuable asset, Management is committed to is investing in personnel development and providing an exceptional work environment and training opportunities coupled with competitive and innovative compensation and incentive schemes.

**Segment Wise Performance:**

All products relate to textile applications and hence Segmental reporting is not applicable.

**Internal Control Systems and their Adequacy:**

The company is constantly enhancing its internal control systems commensurate with the size and nature of its business.

To facilitate timely tactical and strategic business decisions through faster assimilation of information, your company has implemented world-class integrated application software systems (SAP) for on-line Transaction Processing. This has contributed significantly to seamless transaction processing, MIS and Internal Controls and Procedures.

**Human Resource Development and Research Activities:**

The Management strongly feels that the Company's core strength lies in its human resources. Training and development of human resources is an ongoing priority for the Company as it seeks to become a leading innovator in its sector and perform at a very high standard in all aspects of its business and operations, particularly in a rapidly changing external environment. In pursuit of such high standards the Company is currently actively engaged in the development and adoption of work practices and procedures so that the Company can achieve certification under ISO 9000 (Quality), ISO 14000 (Environment) and OHSAS 18001 (Health and Safety).

**FOR AND ON BEHALF OF THE BOARD**

**Subodh Maskara**
**Chairman**

Place: Mumbai
Date: 3 June 2011

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*The Management of Polygenta Technologies Limited has prepared and is responsible for the financial statements that appear in this report. These are in conformity with accounting principles generally accepted in India.*

*The Management also accepts responsibility for the preparation of other financial information that is included in this report. Statements in the Annexure IV Management Discussion and Analysis section describing the Company's progress, status, objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. The Management has made these statements based on its current expectations and projections about future events. Wherever possible, it has tried to identify such statements by using words such as 'anticipate', 'estimate', 'expect', 'project', 'intend', 'plan', 'believe' and words of similar substance. Such statements, however, involve known and unknown risks, significant changes in commercial market conditions, the political and economic environment in India and elsewhere, tax laws, litigation, labour relations, exchange rate fluctuations, interest expense, and other costs, which may cause actual results to differ materially. The management cannot guarantee that these forward-looking statements will be realised, although it believes that it has been prudent in making these assumptions. The Management undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.*

**LODHA & CO**
**Chartered Accountants**

6, Karim Chambers,
40, Ambalal Doshi Marg,
Mumbai - 400023.

**AUDITORS' REPORT**
**To**
**The Members of**
**POLYGENTA TECHNOLOGIES LIMITED**

1. We have audited the attached Balance Sheet of **POLYGENTA TECHNOLOGIES LIMITED** ("the company") as at 31st March, 2011 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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 sub-section(4A) of section 227 of the Companies Act, 1956 (hereinafter referred to as "the Act"), we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph (3) above, we report that:

   a) *We are unable to express an opinion as to when and to what extent the Net Deferred Tax Assets recognized of Rs.96,562,441 would reverse as the company's project has just commenced the commercial production during the year and that there is no virtual certainty as contemplated in the Accounting Standards (AS) 22 "Accounting for Taxes on Income" issued by Companies (Accounting Standards) Rules, 2006. (Refer Note no. B(9) in Schedule 20 for management perception);*

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

   c) 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;

   d) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   e) Subject to what is stated in paragraph (a) above, 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 Act, to the extent applicable;

   f) On the basis of written representations received from the directors as on March 31,2011 and taken on record by the Board of Directors, wherever applicable, we report that none of the directors is disqualified as on March 31,2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

   g) 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 other Notes in Schedule "20", and 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 generally accepted accounting principles in India:

      i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;

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

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

**For LODHA & CO.**
**Chartered Accountants**
**Firm Registration No: 301051E**

**A. M. Hariharan**
**Partner**
Membership No. 038323

Place: Mumbai
Date: June 03, 2011

**ANNEXURE TO THE AUDITORS' REPORT**

Annexure referred to in paragraph 3 of our report of even date on the Financial Statements as at and for the year ended March 31, 2011 of Polygenta Technologies Limited

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

   (b) As explained, the assets have been physically verified by the management in accordance with the phased programme designed to cover all the asset over two years. In our opinion, the frequency of verification is reasonable considering the size of the Company and nature of its fixed assets. As informed, no major discrepancies were noticed on such verification.

   (c) No substantial/major part of fixed assets has been disposed off by the Company during the year.

2. (a) The inventories have been physically verified by the management at the end of the year.

   (b) The procedure of physical verification of inventories followed by the management needs to be strengthened to be adequate in relation to the size of the Company and the nature of its business.

   (c) The Company is maintaining proper records of inventory. During the year, discrepancies noticed on physical verification of stocks as compared to book records were not material and has been appropriately dealt with.

3. The Company has not taken/granted any loans, secured or unsecured, from/to Companies, Firms and 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 explanation that some of the items of fixed assets and inventories purchased are of special nature and suitable alternative sources do not exist for obtaining comparable quotations, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to the purchase of inventories and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in their internal control system.

5. (a) During the year, the Company has not entered into a contract that needs to be entered in the register maintained under Section 301 of the Act.

   (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 Act and aggregating during the year to Rs. 5,00,000 or more in respect of each party, have been made at the prices which are reasonable having regard to prevailing market prices at the relevant time.

6. The Company has not accepted any deposits from the public within the meaning of Section 58A and 58AA and other relevant provisions of the Act and rules framed thereunder.

7. Having regard to what is stated in para 4 above, in our opinion, the Company needs to strengthen the internal audit system in as much as the scope needs to be expanded as also full period needs to be covered to be commensurate with the size and the 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 that prima facie, the prescribed accounts and records have been made and maintained. We are, however, not required to make a detailed examination of such records with a view to determine whether they are accurate or complete.

9. (a) During the year, the Company has been regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other statutory dues with the appropriate authorities. There are no statutory dues outstanding for more than six months as on 31st March, 2011 from the date they became payable.

   b) According to the records of the Company, there are no dues in respect of Sales Tax/ Income Tax/ Custom Duty/ Wealth Tax/ Service Tax/Excise Duty/ cess which have not been deposited on account of any dispute except the following:

| Statue | Nature of Dues | Forum where the dispute is pending | Amount in Rs. | Period |
|---|---|---|---|---|
| The Central Excise Act, 1944 | Excise Duty | Customs, Excise and Service Tax Appellate Tribunal (CESTAT) | 3,540,747 | 2008-2010 |
| The Central Excise Act, 1944 | Excise Duty | Customs, Excise and Service Tax Appellate Tribunal (CESTAT) | 31,206,481 | 2009-2010 |

10. The Company has no accumulated losses exceeding by more than fifty percent of its net worth at the end of the financial year. The Company has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.

11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or banks.

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

13. As the Company is not a nidhi/ mutual benefit fund/ society, the provisions of clause 4(xiii) of the Order is not applicable to the company.

14. As the Company is not dealing or trading in shares, securities, debentures and other investments the provisions of clause 4(xiv) of the Order is not applicable to the company.

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

16. According to the information and explanations given to us, the Company has not raised any term loan during the year.

17. According to the information and explanations given to us and on an overall examination of cash flow statements and balance sheets of the Company, in our opinion, the funds raised on short term basis have been prima facie, not been used for long term investments.

18. The Company has not made any preferential allotment of shares to parties covered in the Register maintained under Section 301 of the Act, during the year.

19. The Company has not issued any Debentures during the year.

20. The Company has not raised any money by way of public issues during the year or in the recent past.

21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing standards in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

**For LODHA & CO.**
**Chartered Accountants**
**Firm Registration No: 301051E**

**A. M. Hariharan**
**Partner**
Membership No. 038323

Place: Mumbai
Date: June 03, 2011

## BALANCE SHEET AS AT 31 ST MARCH 2011

| | SCHEDULE | As at 31.03.2011 Rs. | As at 31.03.2010 Rs. |
|---|---|---|---|
| **SOURCES OF FUNDS** | | | |
| SHAREHOLDERS' FUNDS | | | |
| Share Capital | 1 | 1,226,557,650 | 1,226,557,650 |
| Reserves & Surplus | 2 | 25,715,674 | 28,215,674 |
| | | 1,252,273,324 | 1,254,773,324 |
| LOAN FUNDS | | | |
| Secured Loans | 3 | 1,341,255,835 | 954,600,000 |
| Unsecured Loans | 4 | 5,503,474 | 300,938,579 |
| | | 1,346,759,309 | 1,255,538,579 |
| **TOTAL** | | **2,599,032,633** | **2,510,311,903** |
| **APPLICATION OF FUNDS** | | | |
| FIXED ASSETS | 5 | | |
| Gross Block | | 2,534,453,363 | 354,994,957 |
| Less: Depreciation | | 130,970,805 | 98,929,124 |
| Net Block | | 2,403,482,558 | 256,065,833 |
| Capital work-in-progress | | - | 1,856,168,492 |
| | | 2,403,482,558 | 2,112,234,325 |
| Assets held for Disposal (Refer Note no B(5) in Schedule 20) | | 2,338,375 | 2,338,375 |
| Deferred Tax Assets (Net) (Refer Note no B(9) in Schedule 20) | | 96,562,441 | 92,493,375 |
| CURRENT ASSETS, LOANS AND ADVANCES | | | |
| Inventories | 6 | 280,174,917 | 215,819,215 |
| Sundry Debtors | 7 | 102,554,443 | 55,716,915 |
| Cash and Bank Balances | 8 | 45,675,088 | 61,662,127 |
| Other Current Assets | 9 | 24,036,560 | 16,791,949 |
| Loans and Advances | 10 | 125,019,332 | 113,548,837 |
| | | 577,460,340 | 463,539,044 |
| LESS : CURRENT LIABILITIES AND PROVISIONS | 11 | | |
| Current Liabilities | | 471,045,832 | 192,722,560 |
| Provisions | | 12,004,243 | 4,973,517 |
| | | 483,050,075 | 197,696,077 |
| NET CURRENT ASSETS | | 94,410,266 | 265,842,967 |
| PROFIT & LOSS ACCOUNT (Debit Balance) | 12 | 2,238,993 | 37,402,861 |
| **TOTAL** | | **2,599,032,633** | **2,510,311,903** |
| **SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS** | **20** | | |

The Schedules referred to above form an integral part of the financial statements

AS PER OUR ATTACHED REPORT OF EVEN DATE

| | | |
|---|---|---|
| **For LODHA & COMPANY** | For and on behalf of the Board | |
| **Chartered Accountants** | | |
| **A.M. Hariharan** | **Subodh Maskara** | **Marc Lopresto** |
| Partner | Chairman | Wholetime Director |
| Place: Mumbai | **Paresh Damania** | |
| Dated: 3 June 2011 | Company Secretary | |

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

| | SCHEDULE | April 10- March 11 (12 Months) Rs. | Jan 09-Mar 10 (15 Months) Rs. |
|---|---|---|---|
| **INCOME** | | | |
| Gross Sales | | 538,863,448 | - |
| Less:-Excise Duty Paid | | (44,093,284) | - |
| **Net Sales** | | **494,770,164** | - |
| Operating Income | 13 | 211,129,982 | - |
| Exchange Difference Gain (Net) | | - | 127,436,002 |
| Other Income | 14 | 3,859,082 | 6,827,226 |
| | | **709,759,228** | **134,263,228** |
| **EXPENDITURE** | | | |
| (Increase)/Decrease in Finished Goods & Work In Progress | | (128,818,801) | - |
| Cost of Material | 15 | 591,435,971 | - |
| Staff Cost | 16 | 40,554,419 | 21,244,405 |
| Manufacturing, Administrative and Other Expenses | 17 | 75,522,973 | 68,157,901 |
| Finance Charges | 18 | 19,920,642 | 8,124,721 |
| Selling & Distribution Expenses | 19 | 14,099,938 | 438,446 |
| Exchange Difference Loss (Net) | | 29,988,687 | - |
| Shares Issue Expenses | | - | 10,128,750 |
| | | **642,703,829** | **108,094,224** |
| **PROFIT/(LOSS) BEFORE DEPRECIATION & TAXATION AND EXCEPTIONAL ITEMS** | | **67,055,399** | **26,169,004** |
| Less :Depreciation | | 40,403,931 | 31,821,408 |
| **PROFIT/(LOSS) FOR THE YEAR BEFORE EXCEPTIONAL ITEMS AND TAXATION** | | **26,651,468** | **(5,652,405)** |
| Add :Exceptional Items- Loan liability not payable written back | | 12,258,907 | - |
| **PROFIT/(LOSS) FOR THE YEAR BEFORE TAXATION** | | **38,910,375** | **(5,652,405)** |
| Less :Provision for Taxes | | | |
| - Current Taxes | | 7,739,963 | - |
| - Deferred Tax (Net) | | (4,069,066) | 49,095,669 |
| - Wealth Tax | | 75,611 | 92,000 |
| - Fringe Benefit Tax | | - | 455,841 |
| **PROFIT/(LOSS) FOR THE YEAR AFTER TAX** | | **35,163,868** | **(55,295,916)** |
| Balance of Loss brought forward from earlier year | | (37,402,861) | (156,969,645) |
| BALANCE OF LOSS CARRIED TO BALANCE SHEET | | **(2,238,993)** | **(212,265,561)** |
| **Earning Per Share of face value of Rs.10 each** | | | |
| Basic & Diluted Earnings Per Share (Before Exceptional Items) | | 0.49 | (4.29) |
| Basic & Diluted Earnings Per Share (After Exceptional Items) **(Refer Note B(12) In Schedule 20)** | | 0.75 | (4.29) |
| **SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS** | 20 | | |

The Schedules referred to above form an integral part of the financial statements

AS PER OUR ATTACHED REPORT OF EVEN DATE

**For LODHA & COMPANY**
**Chartered Accountants**

For and on behalf of the Board

**A.M. Hariharan**
Partner

**Subodh Maskara**
Chairman

**Marc Lopresto**
Wholetime Director

Place: Mumbai
Dated: 3 June 2011

**Paresh Damania**
Company Secretary

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

| | April 10- March 11 (12 Months) Rs. | Jan 09-Mar 10 (15 Months) Rs. |
|---|---|---|
| **A. CASH FLOW FROM OPERATING ACTIVITIES :** | | |
| Net Profit/(Loss) before tax and exceptional items | 26,651,468 | (2,074,995) |
| Adjustments for : | | |
| Depreciation | 40,403,931 | 31,821,408 |
| Interest | 19,920,642 | 8,124,721 |
| Loss on Sale/Scrapping of Fixed Assets | 2,915,445 | - |
| Provision no longer required written back | (3,055,478) | (1,683,258) |
| Operating Profit before Working Capital Changes | 86,836,008 | 36,187,876 |
| Adjustments for : | | |
| Trade and other receivables | (65,676,538) | (173,209,437) |
| Inventories | (64,355,703) | (190,789,580) |
| Trade and Other Payables | 285,909,476 | 161,906,847 |
| Cash generated from Operations | 242,713,244 | (165,904,294) |
| Exceptional Items | | |
| Direct Taxes paid | (7,815,574) | (547,841) |
| **Net Cash generated from Operating Activities (Total A)** | **234,897,670** | **(166,452,135)** |
| **B. CASH FLOW FROM INVESTING ACTIVITIES :** | | |
| Purchase of fixed assets (including CWIP) | (334,567,609) | (1,567,707,652) |
| Proceeds from sale of fixed assets | (0) | 127,927,314 |
| **Net Cash generated from Investing Activities ( Total B)** | **(334,567,609)** | **(1,439,780,338)** |
| **C. CASH FLOW FROM FINANCING ACTIVITIES :** | | |
| Proceeds from Borrowings | 133,855,837 | 924,600,000 |
| Repayment of Borrowings | (30,000,000) | (99,300,000) |
| Repayment of Sales Tax Loan | (376,198) | (376,198) |
| Interest paid | (19,920,642) | (8,124,721) |
| Share Capital /Advance against Share Application money & Reserve | - | 783,725,209 |
| **Net Cash generated from Financing Activities (Total C)** | **83,558,997** | **1,600,524,290** |
| **D. NET INCREASE/DECREASE IN CASH EQUIVALENTS : (TOTAL A+B+C)** | **(16,110,942)** | **(5,708,183)** |
| Cash and Cash Equivalents as at 31/03/2010 | 23,967,510 | 29,675,693 |
| Cash and Cash Equivalents as at 31/03/2011 | 7,856,568 | 23,967,510 |

Notes:

1. Cash flow statement has been prepared under the indirect method as set out in Accounting Standard-3 "Cash Flow Statement" prescribed by Companies (Accounting Standards) Rules,2006.
2. Fixed deposits with banks with maturity period of more than three months including interest accured thereon and fixed deposits under lien are not being included in cash and cash equivalents.
3. Previous year's figures have been re-grouped / re-arranged,wherever necessary, to conform to current year's classification.
4. Figures in bracket indicate cash outflow.

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**
**(Refer Schedule No. 20)**

AS PER OUR ATTACHED REPORT OF EVEN DATE

**For LODHA & COMPANY**
**Chartered Accountants**

For and on behalf of the Board

**A.M. Hariharan**
Partner

**Subodh Maskara**
Chairman

**Marc Lopresto**
Wholetime Director

Place: Mumbai
Dated: 3 June 2011

**Paresh Damania**
Company Secretary

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2011

| | As at 31.03.2011 Rs. | As at 31.03.2010 Rs. |
|---|---|---|
| **SCHEDULE '1'** | | |
| **SHARE CAPITAL** | | |
| **Authorised Capital :** | | |
| 125,000,000 Equity Share (Previous Year 30,000,000) of Rs. 10 each | 1,250,000,000 | 300,000,000 |
| 30,000,000 Preference Shares (Previous Year 125,000,000) of Rs. 10 each. | 300,000,000 | 1,250,000,000 |
| | 1,550,000,000 | 1,550,000,000 |
| **Issued, Subscribed and Paid-up Capital :** | | |
| 122,655,765 Equity Shares (Previous Year 1,942,918) of Rs. 10 each, fully paid-up. | 1,226,557,650 | 19,429,180 |
| Nil Compulsory Convertible Preference Shares (Previous Year 120,712,847) of Rs.10 each | - | 1,207,128,470 |
| | 1,226,557,650 | 1,226,557,650 |
| **SCHEDULE '2'** | | |
| **RESERVES & SURPLUS** | | |
| i) Capital Reserve | | |
| Balance as per Last Balance Sheet | 2,500,000 | 2,500,000 |
| Less:- Transferred to Current Liabilities (Since settled) | 2,500,000 | - |
| | - | 2,500,000 |
| ii) Securities Premium Account - As per last Balance Sheet | 25,715,674 | 25,715,674 |
| **TOTAL** | **25,715,674** | **28,215,674** |
| **SCHEDULE '3'** | | |
| **SECURED LOANS** | | |
| 9% Optionally Fully Convertible Debentures | - | 30,000,000 |
| Project Loan from a Bank * | 289,000,000 | - |
| External Commercial Borrowings * | 950,700,000 | 924,600,000 |
| Working Capital Loan from a Bank** | 101,555,835 | - |
| (* For Security refer Note No B(3)(a) in Schedule 20 ) | | |
| (** For Security refer Note No B(3)(b) in Schedule 20 ) | | |
| **TOTAL** | **1,341,255,835** | **954,600,000** |
| **SCHEDULE '4'** | | |
| **UNSECURED LOANS** | | |
| Demand Loan/Overdraft from a Bank | - | 287,500,000 |
| Short Term Loans | | |
| -From Bodies Corporate (Refer Note No.B(4) | - | 12,258,907 |
| -Interest free Sales Tax Loan | 803,474 | 1,179,672 |
| -Interest Free Loan From a Director | 4,700,000 | - |
| **TOTAL** | **5,503,474** | **300,938,579** |

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH 2011

### SCHEDULE '5' : FIXED ASSETS

(Amount in Rupees)

| | GROSS BLOCK ( At Cost) | | | | DEPRECIATION | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|
| Particulars | As at 01.04.2010 | Additions/ Adjustments | Deductions/ Adjustments | As at 31.03.2011 | Up to 31.03.2010 | For the Period | Deductions/ Adjustments | Up to 31.03.2011 | As at 31.03.2011 | As at 31.03.2010 |
| **Tangible Assets** | | | | | | | | | | |
| Freehold Land | 1,139,267 | - | - | 1,139,267 | - | - | - | - | 1,139,267 | 1,139,267 |
| Building | 53,114,162 | 380,941,374 | - | 434,055,536 | 17,511,009 | 4,261,206 | - | 21,772,215 | 412,283,321 | 35,603,153 |
| Plant & Machinery | 237,762,461 | 1,805,706,006 | - | 2,043,468,467 | 69,266,702 | 27,892,063 | - | 97,158,765 | 1,946,309,702 | 168,495,759 |
| Office Equipment | 10,193,059 | 160,728 | 1,592,308 | 8,761,479 | 1,984,375 | 1,001,922 | 320,350 | 2,665,947 | 6,095,532 | 8,208,684 |
| Furniture Fittings & Appliances | 19,045,425 | 1,387,471 | 8,979,153 | 11,453,743 | 7,564,390 | 2,564,780 | 7,335,665 | 2,793,505 | 8,660,238 | 11,481,035 |
| Vehicles | 12,082,482 | - | 706,235 | 11,376,247 | 2,304,472 | 1,080,744 | 706,235 | 2,678,981 | 8,697,266 | 9,778,010 |
| Data Processing Equipments | 5,227,982 | 2,148,930 | - | 7,376,912 | 71,976 | 934,502 | - | 1,006,478 | 6,370,434 | 5,156,006 |
| **Intangible Asset** | | | | | | | | | | |
| Information Technology | 16,430,119 | 391,593 | - | 16,821,712 | 226,200 | 2,668,714 | - | 2,894,914 | 13,926,798 | 16,203,919 |
| **Total** | **354,994,957** | **2,190,736,102** | **11,277,696** | **2,534,453,363** | **98,929,124** | **40,403,931** | **8,362,250** | **130,970,805** | **2,403,482,558** | **256,065,833** |
| | | | | | | | | | | |
| **Previous Year** | **487,105,499** | **155,004,760** | **287,115,302** | **354,994,957** | **229,274,662** | **32,255,198** | **162,600,736** | **98,929,124** | **256,065,833** | |

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2011

| | As at 31.03.2011 Rs. | As at 31.03.2010 Rs. |
|---|---|---|
| **SCHEDULE '6'** | | |
| **INVENTORIES** | | |
| (As verified, valued and certified by the Management) | | |
| Consumables and Stores & Spares | 32,488,012 | 23,691,317 |
| **Stock in Trade:** | | |
| - Raw Materials (Including goods in transit Rs. 34,833,708 Pervious year Rs. Nil) | 103,251,030 | 51,272,927 |
| - Packing Materials | 7,362,948 | 7,213,639 |
| - Finished Goods | 63,270,104 | 60,240,869 |
| Work-in-Progress | 73,802,823 | 73,400,463 |
| **TOTAL** | **280,174,917** | **215,819,215** |
| **SCHEDULE '7'** | | |
| **SUNDRY DEBTORS** | | |
| (Unsecured, considered good unless otherwise specified) | | |
| Debts Outstanding for a Period exceeding Six Months. | | |
| Considered Good. | 1,095,113 | 15,209 |
| Considered Doubtful | - | 18,351 |
| | 1,095,113 | 33,560 |
| Less: Provision for doubtful debts | - | (18,351) |
| | 1,095,113 | 15,209 |
| Other Debts. | 101,459,330 | 55,701,706 |
| **TOTAL** | **102,554,443** | **55,716,915** |
| **SCHEDULE '8'** | | |
| **CASH AND BANK BALANCES** | | |
| Cash on hand | 95,657 | 105,872 |
| Balances with Scheduled Banks | | |
| In Current Accounts | 7,760,911 | 23,861,638 |
| Fixed Deposits with Bank | | |
| (Pledged with the Bank as Security against Guarantees Issued) | 37,818,520 | 37,694,617 |
| **TOTAL** | **45,675,088** | **61,662,127** |
| **SCHEDULE '9'** | | |
| **OTHER CURRENT ASSETS.** | | |
| VAT refund receivable | 15,358,680 | 15,814,482 |
| Cenvat Credit Refundable | 6,511,055 | - |
| Interest accrued on Fixed Deposits | 2,166,825 | 977,467 |
| **TOTAL** | **24,036,560** | **16,791,949** |

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2011

| | As at 31.03.2011 Rs. | As at 31.03.2010 Rs. |
|---|---|---|
| **SCHEDULE '10'** | | |
| **LOANS AND ADVANCES** | | |
| (Unsecured, considered good unless otherwise specified) | | |
| Advances recoverable in cash or in kind or for value to be received [Net of Doubtful Advances provided for Rs.47,943 (previous Year Rs.47,943) | 37,923,003 | 35,861,719 |
| Balances with Excise Authorities:- | | |
| a) CENVAT [Net of doubtful CENVAT Credit provided for Rs 143,874 (Previous Year Rs.143,874) | 66,453,731 | 57,276,558 |
| b) Service Tax | 18,641,127 | 15,988,131 |
| Tax Deducted At Source and Fringe Benefit Tax | 716,602 | 490,584 |
| Deposits [(Net of Doubtful Deposits provided for Rs.252,442 (Previous Year Rs. 252,442) | 1,284,869 | 3,931,845 |
| **TOTAL** | **125,019,332** | **113,548,837** |
| **SCHEDULE '11'** | | |
| **CURRENT LIABILITIES AND PROVISIONS** | | |
| A. CURRENT LIABILITIES | | |
| Sundry Creditors: | | |
| - Due to Micro, Small and Meduim Enterprises (Refer Note No B(6) in Schedule 20) | 2,889,580 | 1,952,314 |
| - Others | 210,909,692 | 139,122,661 |
| Advance from Customers | | |
| - Holding company | 141,796,544 | - |
| - Others. | 951,769 | 3,594,029 |
| Interest Acrrued but not due on ECB Loans | 69,997,400 | 11,189,837 |
| Other Liabilities | 44,500,847 | 36,863,719 |
| | 471,045,832 | 192,722,560 |
| B. PROVISIONS | | |
| For Current Taxes | 7,739,963 | - |
| For Leave Entitlement | 3,076,233 | 2,105,390 |
| For Gratuity | 1,113,469 | 2,776,127 |
| For Wealth Tax | 74,578 | 92,000 |
| | 12,004,243 | 4,973,517 |
| **TOTAL** | **483,050,075** | **197,696,077** |
| **SCHEDULE '12'** | | |
| **PROFIT & LOSS ACCOUNT** | | |
| Loss as per Profit & Loss Account | 2,238,993 | 212,265,561 |
| Less: Set off as a result of Capital Reduction | - | 174,862,700 |
| | **2,238,993** | **37,402,861** |

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

| | Year Ended 31.03.2011 Rs. | Jan.09-Mar.10 (15months) Rs. |
|---|---|---|
| **SCHEDULE '13'** | | |
| **OTHER OPERATING INCOME** | | |
| Export of Services | 204,179,499 | 418,044 |
| Export Incentives | 3,509,860 | - |
| Scrap Sales | 2,212,992 | - |
| Interest Received on Overdue Payments | 235,077 | - |
| Insurance Claim Received | 992,554 | - |
| | **211,129,982** | **418,044** |
| **SCHEDULE '14'** | | |
| **OTHER INCOME** | | |
| Liabilities / Provision no longer required written back | 3,055,478 | 1,683,258 |
| Interest on Fixed Deposit (Tax Deducted at Source Rs.68,011) | 680,106 | - |
| Miscellaneous Income | 123,498 | 5,143,968 |
| | **3,859,082** | **6,827,226** |
| **SCHEDULE '15'** | | |
| **COST OF MATERIAL** | | |
| Consumption of Raw Material | 554,024,774 | - |
| Consumption of Packing Material | 16,978,786 | - |
| Consumption of Consumables & Spares | 20,432,411 | - |
| | **591,435,971** | **-** |
| **SCHEDULE '16'** | | |
| **STAFF COST** | | |
| Salaries, Wages and bonus | 36,206,783 | 17,906,606 |
| Contribution to provident and other funds | 2,717,996 | 2,152,579 |
| Staff Welfare Expenses | 1,629,640 | 1,185,219 |
| | **40,554,419** | **21,244,405** |

**SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011**

| | Rs. | Year Ended 31.03.2011 Rs. | Jan.09-Mar.10 (15months) Rs. |
|---|---|---|---|
| **SCHEDULE '17'** | | | |
| **MANUFACTURING, ADMINISTRATIVE AND OTHER EXPENSES** | | | |
| Consumption of Stores & Spares | | - | 104,429 |
| Power and Fuel (Electricity) | | 27,748,970 | 343,167 |
| Water Charges | | 355,347 | 3,000 |
| Repairs and Maintenance | | | |
| Plant and Machinery | 176,541 | | 793,928 |
| Buildings | 728,526 | | 23,919 |
| Others | 758,398 | | 624,155 |
| | | 1,663,465 | 1,442,002 |
| Insurance | | 710,505 | 994,122 |
| Travelling and Conveyance | | 4,376,986 | 4,003,382 |
| Website/Internet/ Software Expenses | | 1,247,820 | 441,024 |
| Telephone Expenses | | 1,033,820 | 1,111,832 |
| Vehicle Expenses | | 3,037,098 | 1,132,650 |
| Rent | | 7,774,062 | 10,023,806 |
| Rates & Taxes | | 1,369,143 | 627,825 |
| Auditors' Remuneration | | | |
| Audit Fees | 850,000 | | 400,000 |
| Tax Audit Fees | 190,000 | | 15,000 |
| Certification Fees | 276,288 | | 42,500 |
| Out of pocket expenses / taxes | 35,717 | | 90,712 |
| | | 1,352,005 | 548,212 |
| Legal & Professional fees | | 12,284,478 | 4,162,241 |
| Guest House Expenses | | 1,251,174 | 1,076,279 |
| Security Service Charges | | 2,151,953 | 244,900 |
| Printing & Stationery | | 663,278 | 823,837 |
| Computer/ IT Expenses | | 1,162,022 | 376,840 |
| Bad Debts Written Off | | - | 31,899,110 |
| Loss on Scrapping of Fixed Assets | | 2,915,445 | 3,577,409 |
| Miscellaneous Expenses | | 4,425,404 | 5,221,834 |
| | | **75,522,973** | **68,157,901** |
| **SCHEDULE '18'** | | | |
| **FINANCE CHARGES** | | | |
| Interest on Debentures | | 3,748,370 | 680,548 |
| Interest on Term Loan | | 11,728,701 | 7,196,533 |
| Interest on Overdraft | | 4,022,839 | - |
| Bank Charges | | 143,356 | - |
| Other Interest | | 277,376 | 247,640 |
| | | **19,920,642** | **8,124,721** |
| **SCHEDULE '19'** | | | |
| **SELLING & DISTRIBUTION EXPENSES** | | | |
| Brokerage and Commission | | 7,179,986 | - |
| Freight and Octroi | | 6,756,963 | - |
| Other expenses | | 162,989 | 438,446 |
| | | **14,099,938** | **438,446** |

SCHEDULE '20'

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2011**

**Overview**

Incorporated in the state of Maharashtra in 1981, the Company was originally named Maskara Polytex Private Ltd. In 1994, it was converted into a public limited company. In July 1995, the name of the company was changed to Maskara Industries Ltd. Subsequently, on 25th June 2001 the name was again changed to Polygenta Technologies Limited.

The Company is in the business of environmentally beneficial, sustainable Polyester Filament Yarn (PFY), manufacturing primarily Drawn Texturised Yarn.

**(A) SIGNIFICANT ACCOUNTING POLICIES:**

**a) Basis of Accounting:**

i) The financial statements are prepared under historical cost convention, on a going concern basis and in accordance with the applicable Accounting Standard as specified in the Companies (Accounting Standards) Rules, 2006 ("the Rules") and the relevant provisions of the Companies Act, 1956, to the extent applicable.

ii) All expenses and income to the extent ascertainable with reasonable certainty are accounted for on accrual basis.

**b) Use of estimates**

The preparation of financial statements is in conformity with Generally Accepted Accounting principles (GAAP) which requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities on the date of financial statements, and reported amounts of revenue and expenses for that year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively.

**c) Revenue Recognition:**

i) Sales revenue is recognised on transfer of significant risks and rewards of ownership of the goods to the buyer, which is generally on date of dispatch /Bill of lading. Sales are inclusive of Excise Duty and are net of trade discounts and sales tax.

ii) Export incentives under the "Duty Entitlement Pass Book Scheme" are accounted for in the year of export.

iii) Revenues from the sale of consultancy projects are recognised as and when the advisory commitments are rendered as per the terms of the contract.

**d) Fixed Assets:**

i) Fixed Assets are stated at cost less accumulated depreciation and impairment losses. The diminution, if any, in the book value of these assets is provided for in the year of such determination of diminution.

ii) Cost of acquisition comprises all costs incurred to bring the assets to their location and working condition up to the date the assets are put to use. The cost of construction is composed of those constituent assets that relate directly to completion of specific fixed assets and those that are attributable to the construction activity in general and can be allocated to specific fixed assets up to the date such fixed assets are put to use.

iii) In accordance with Accounting Standard AS28 on 'Impairment of Assets' issued and prescribed by Companies (Accounting Standards) Rules, 2006, where there is an indication of impairment of the Company's assets related to cash generating units, the carrying amounts of such assets are reviewed at each balance sheet date to determine whether there is any impairment. The recoverable amount of such assets is estimated as the higher of its net selling price and its value in use. An impairment loss is recognised whenever the carrying amount of such assets exceeds its recoverable amount. An impairment loss is recognised in the profit and loss account.

**e) Capital Work in Progress:-**

Capital work in progress represents all costs directly attributable and incurred for setting up new manufacturing and/or modifying existing manufacturing facility including pre-operative expenses for trial run and borrowing costs incurred prior to the date of commencement of commercial production.

**f) Depreciation / Amortisation :**

i) Leasehold land premium is amortised over the period of lease.

ii) Depreciation is provided on Straight Line Method at the rates and in the manner as specified in Schedule XIV to the Companies Act, 1956.

iii) "Continuous process plant", as defined in Schedule XIV, has been considered on a technical assessment and depreciation provided accordingly.

iv) The capital expenditures incurred on any leasehold premise are amortised over the period of its lease.

**g) Lease:**

i) Assets acquired under lease, in which the Company has substantially all the risks and rewards of ownership, are classified as finance leases. Such assets are capitalised at the inception of the lease at the lower of the fair value and the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability. Any leasehold land premium is amortised over the period of lease.

ii) Assets acquired under lease wherein a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Profit & Loss account on an accrual basis.

**h) Inventories:**

i) Inventories are valued at lower of cost and estimated net realisable value.

ii) Cost of raw material, consumable and stores & spares and packing materials is computed on weighted average basis.

iii) Cost of finished goods and Work-in-process include conversion and other cost incurred in bringing the inventories to their present location and condition.

**i) Foreign Currency Transactions:-**

i) Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transaction. Current assets, current liabilities, and borrowings denominated in foreign currency are translated at the exchange rate prevailing on the date of the balance sheet. Any corresponding resultant gain or loss is recognised in the Profit & Loss Account.

ii) In respect of forward exchange contracts, the difference between the forward rate and the exchange rate at the inception of the contract is recognised as income or expense over the period of the contract.

iii) Gains or losses on cancellation/settlement of forward exchange contracts are recognised as income or expenses.

**j) Employee Benefits:**

Liabilities in respect of employee benefits are dealt with as under:

i) The Company has a defined contribution plan for a Provident Fund at a percentage of salary / wages for eligible employees and the Company's contributions thereto are charged to the Profit & Loss Account.

ii) Gratuity: A contribution is made to the Trust administered by the Trustees and managed by ICICI Prudential for an amount actuarially valued at fiscal year-end.

iii) The employees of the Company are entitled to leave as per the leave policy of the Company. The liability in respect of un-utilised leave balance is provided based on an actuarial valuation carried out by an independent actuary at the fiscal year-end and charged to the Profit & Loss account.

**k) Borrowing Costs:**

Borrowing Costs attributable to the acquisition, construction and production of a qualifying asset are capitalised as part of the cost of such asset up to date when such asset is ready for its intended use. Other borrowing costs are charged to the profit & loss account.

**l) Taxation:-**

i) Income tax expense comprises current tax and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year).

ii) Provision for income tax is made on the basis of estimated taxable income for the current accounting period in accordance with the Income Tax Act, 1961.

iii) The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date.

iv) Deferred tax assets are recognised only to the extent that there is virtual certainty that the assets can be realised in future. However, where there is un-absorbed depreciation or a carry-forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and written down or up to reflect the amount that is reasonably / virtually certain to be realised.

v) Tax credit is recognised in respect of Minimum Alternate Tax (MAT) as per the provisions of Section 115JAA of the Income tax Act, 1961 based on convincing evidence that the Company will pay normal income tax within the statutory time frame and is reviewed at each balance sheet date.

**m) Provisions, Contingent Liabilities and Contingent Assets:**

i) Provisions in respect of present obligations arising out of past events are made in the accounts when reliable estimates can be made of the amount of the obligation.

ii) Contingent liabilities are disclosed by way of note to financial statements after careful evaluation by the management of the facts and legal aspects of the matter involved.

iii) Contingent Assets are neither recognised nor disclosed in the financial statements.

**(B) NOTES ON ACCOUNTS:**

**1) (a) Capital Commitments and Contingent liabilities**

| Particulars | As at 31st March 2011 | As at 31st March 2010 |
|---|---|---|
| **Capital Commitments :** | | |
| Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) | 28,671,655 | 55,833,291 |
| **Estimated amount of claims against the company not acknowledged as debt in respect of:** | | |
| Disputed Excise Demand | 34,747,228 | 3,834,347 |
| Vendor Claims | 969,804 | 1,006,277 |

(b) The company has an outstanding export obligation of Rs. 886,105,985 as on 31st March 2011, against the import licenses taken for import of capital goods under Export Promotion Capital Goods [EPCG] Scheme. The expiry date for Export Obligation period extends from November 2011 to August 2017. With respect to its EPCG export obligation, the Company has also provided a bank guarantee to Custom Authorities backed by a Rs. 15,937,150 fixed deposit. Of the export obligation outstanding as on 31 March 2011, the Company has fulfilled export obligations of Rs. 35,303,071 subsequent to year-end.

**2) Capital Work in Progress**

(a) During the year, the Company commenced commercial production of its fully integrated, environmentally-beneficial Polyester Filament Yarn Plant. After carrying out necessary trial runs commercial operations were commenced partially on 21st September 2010 as a means to help build the Company's critical supply chains and build its customer base ahead of fully integrated operations (which began on 1st March 2011).

(b) **Details of Capital work in Progress are as under:**

| Particulars | As on 31st, March 2011 | | As on 31st, March 2010 | |
|---|---|---|---|---|
| **Building, P&M and Pre-Operative Expenses** | | | | |
| -Cost of Equipments at Site | | 1,322,334,550 | | 1,233,897,883 |
| -Cost of Erection and installation at Site | | 131,289,646 | | 84,918,036 |
| -Cost of Building Under Construction | | 299,953,910 | | 277,100,717 |
| -Technological Collaboration Fees (Advance) | | 28,396,657 | | 28,396,657 |
| -Pre-operative Expenses | | | | |
| • Interest Cost | 136,425,459 | | 64,480,865 | |
| • Legal & Professional Fees | 5,097,961 | | 3,132,395 | |
| • Staff Cost | 162,899,600 | | 98,138,474 | |
| • Depreciation | 433,790 | | 433,790 | |
| • Other preoperative Expenses | 40,522,471 | | 38,068,893 | |
| • Expenses for Site Preparation | 1,192,469 | 346,571,750 | 1,192,469 | 205,446,886 |
| **Sub Total** | | **2,128,546,513** | | **1,829,760,179** |
| **Trial Production Cost** | | | | |
| Sales during the Period | 201,695,241 | | 538,929,545 | |
| Less:- Excise Duty Paid | 16,741,948 | | 12,634,463 | |
| Less:- Selling & Distribution Expenses | 10,043,045 | | 7,887,658 | |
| Less: Consumption of Raw Material, Consumables, Packing Material | 157,507,517 | | 582,294,377 | |
| Less:- (Increase)& Decrease in Finished Goods Stock | 58,703,190 | | (42,997,823) | |
| | 41,300,459 | | 20,889,130 | |
| Add: Cost of trial production brought forward from previous years | 20,889,130 | | - | |
| **Sub Total** | | **62,189,589** | | **20,889,130** |
| **Advance for Fixed Assets (Unsecured,Considered Good)** | | - | | 5,519,183 |
| **Total** | | **2,190,736,102** | | **1,856,168,492** |
| Less : Amount Capitalised During the Year | | 2,190,736,102 | | - |
| **Balance Capital Work in Progress carried to Balance Sheet** | | **-** | | **1,856,168,492** |

(c) The Company is primarily engaged in the business of Polyester. The entire operations are governed by the same set of risks and returns and hence, are considered as a single primary segment. Therefore, Accounting Standard -17 i.e. "Segment Reporting" is not applicable.

**3) Security provided for Loan Facilities**

(a) In relation to its loan credit facilities, the Company agreed to create a security interest in respect of its various immovable and movable assets in favour of an appointed Security Trustee for the benefit of its financial lenders. The security charge over these assets was created subsequent to year-end and is pending registration with the Registrar of Companies. Details of the charges are as follows:

**External Commercial Borrowings of Rs. 950,700,000 and working capital facilities of Rs. 101,555,835:**

- secured by first pari passu charge by way of mortgage of land, buildings and tenements and immovable Plant and Machinery, both present and future at the Company's works at Nashik.
- secured by first pari passu charge by way of hypothecation of the whole of the inventories and other movable assets of the Company including its movable plant and machinery, machinery spares, tools and accessories, both present and future.

**Project Loan of Rs. 289,000,000**

- secured by first pari passu charge by way of mortgage of land, buildings and tenements and immovable Plant and Machinery, both present and future at the Company's works at Nashik.
- secured by second charge by way of hypothecation of the whole of the inventories and other movable assets of the Company including its movable plant and machinery, machinery spares, tools and accessories, both present and future.

4) Exceptional income of Rs. 12,258,907 resulted from the write-back of an inter-corporate deposit that has been outstanding for an extended duration. Based on a legal opinion provided to the Company, the deposit is considered not payable and no interest is payable (for which the Company had not provided).

5) Management is at an advanced stage of negotiations to sell the Company's Murbad Unit that has been under closure since January 2000, to a party with whom a memorandum of understanding has been signed. The Management expects to realise at least the Murbad unit's carrying value on the Company's books.

**6) Disclosure in accordance with Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006.**

**Amount in Rs.**

| Sr.No. | Particulars | As at 31st March 2011 | As at 31st March 2010 |
|---|---|---|---|
| a) | Principal amount remaining unpaid | 2,889,580 | 1,952,314 |
| b) | Interest paid in terms of Section 16 | - | - |
| c) | Interest due and payable for the period of delay in payment | | - |
| d) | Interest accrued and remaining unpaid | 116,450 | 58,513 |
| e) | Interest due and payable even in succeeding years | - | - |

The above information has been compiled in respect of parties to the extent to which it could be identified as Micro, Small, and Medium Enterprises. The disclosure is based on the information made available to the Company regarding the status of suppliers in relation to the "Micro, Small, and Medium Enterprise Development Act, 2006".

**7) Remuneration to Managing Director / Whole time Director:**

| Particulars | Apr 10-Mar 11 (Rs.) | Jan 09-Mar 10 (Rs.) |
|---|---|---|
| Salary and Allowances | 4,412,459 | 9,000,000 |
| Contribution to Provident Fund | 256,400 | 540,000 |
| TOTAL | 4,668,859 | 9,540,000 |

**Notes:**

i) The above figures exclude contributions to the gratuity fund and provision for leave entitlement since determined for the Company as a whole but including monetary value of the perquisites, if any, computed as per the Income Tax Rules, wherever necessary.

ii) Remuneration of Rs. 1,088,859 to a whole time director, appointed on September 20, 2010, is subject to the approval of shareholders, being obtained in the ensuing AGM.

**8) Related Party Transactions as per Accounting Standard 18:**

Parties with whom the Company has entered into transactions/where control exists during the year in the ordinary course of the business:

| **Key Management Personnel / Relative** | **Associates / Group Companies** |
|---|---|
| Mr. Subodh Maskara* | AlphaPET Limited (Holding Company) |
| Mr. Marc Lopresto** | Maskara Filaments Private Limited |
| Mr. Gerard De Nazelle*** | Polygenta Stock Option Trust |
| Mr. Santosh Maskara**** | S. K. Maskara & Sons (HUF) |

* Mr. Subodh Maskara was Managing Director upto 20th September 2010 and was re-designated as Chairman at the Meeting held on 20th September 2010.

** Mr. Marc Lopresto was appointed as Wholetime Director with effect from 20th September 2010.

*** Mr. Gerard De Nazelle was appointed as Chief Operating Officer with effect from 1st September 2010 and was promoted to Chief Executive Officer of the Company with effect from 10th February 2011.

**** Mr. Santosh Maskara was Chairman upto 20th September 2010. He resigned and was relieved from the services of the Company with effect from closing of working hours of 20th September 2010.

**Details of transaction entered into during the year (amounts in Rs.):**

| **Nature of Transaction** | **Key Management Personnel/ Relatives** | **Associates/ Group Companies** | **Total** |
|---|---|---|---|
| Sale of Consultancy Advisory to AlphaPET Ltd. | - | 208,160,243 | 208,160,243 |
| | (-) | (28,396,657) | (28,396,657) |
| **Rent** | | | |
| - S. K. Maskara & Sons HUF (Rent Paid) | - | 3,639,900 | 3,639,900 |
| | (-) | (5,116,870) | (5,116,870) |
| Santosh Maskara (Rent Received) | 18,000 | - | 18,000 |
| | (-) | (-) | (-) |
| **Managerial Remuneration** | | | |
| Subodh Maskara | 3,580,000 | - | 3,580,000 |
| | (9,540,000) | (-) | (9,540,000) |
| Marc Lopresto | 1,088,859 | - | 1,088,859 |
| | (-) | (-) | (-) |
| Gerard De Nazelle | 2,347,016 | - | 2,347,016 |
| | (-) | (-) | (-) |
| Initial contribution to Polygenta Stock | | 10,000 | 10,000 |
| Option Trust | | (-) | (-) |
| **Reimbursement of Expenses -** | - | 4,216,333 | 4,216,333 |
| AlphaPET Ltd. | (-) | (482,500) | (482,500) |
| Loan Received by Polygenta Technologies Ltd. Limited from Marc Lopresto | 4,700,000 | | 4,700,000 |
| | **(-)** | | **(-)** |
| Advance Received AlphaPET Ltd. (current year) | | 141,796,544 | 141,796,544 |
| | | (35,000,000) | (35,000,000) |
| **Closing Balances:** | | | |
| Loans/Advances Received | 4,700,000 | 141,796,544 | 146,496,544 |
| | (-) | (-) | (-) |

**Notes:**

i) Previous year's figures are given in brackets.

ii) Neither amount in respect of related parties have been written off/written back during the year, nor has any provision been made for doubtful debts / receivables.

iii) Related party relationships are as identified by the management and relied upon by the auditors.

**9) Deferred Tax Assets / Liabilities:**

i) A deferred tax asset is recognised in accordance with Accounting Standard 22- "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India as the management is confident that in view of the successful implementation of the PFY project and consultancy export orders in hand there will be sufficient future income against which the deferred tax assets will be fully realised.

ii) The details of the same are as follows (amounts in Rupees):-

| Particulars | Apr 10-Mar11 | Jan 09-Mar10 |
|---|---|---|
| **Deferred Tax Assets :** | | |
| -Un-absorbed Depreciation | 171,647,497 | 120,635,859 |
| -Un-absorbed Business Loss | 9,193,178 | - |
| -Expenses allowable on Payment basis | 216,150 | 861,517 |
| **Deferred Tax Liabilities:** | | |
| -Depreciation Effects | 84,494,384 | (29,004,001) |
| **Net Deferred Tax Assets** | 96,562,441 | 92,493,375 |

**10) Foreign Exchange currency exposures not covered by derivatives instruments:**

| Particulars | Currency | As at 31-03-2011 | | As at 31-03-2010 | |
|---|---|---|---|---|---|
| | Type | In Foreign Currency | In Indian Rupees | In Foreign Currency | In Indian Rupees |
| Debtors | USD | 54,218 | 2,425,674 | 126,718 | 57,89,274 |
| Advance from Customers | EURO | 2,544,742 | 141,796,544 | 28,347 | 12,97,604 |
| | USD | 33,645 | 1,502,021 | Nil | Nil |
| Loan | Euro | 15,000,000 | 950,700,000 | 15,000,000 | 924,600,000 |
| Interest on loan | Euro | 1,104,408 | 69,997,401 | 181,535 | 11,189,837 |
| Imports Payable | USD | 2,519,880 | 115,462,116 | 1,418,411 | 66,492,087 |
| | Euro | 918 | 54,254 | 11,519 | 7,41,419 |
| Advance to vendors | CHF | 6,671 | 307,200 | 11,782 | 510,193 |
| | EUR | 20,739 | 1,360,215 | 51,087 | 3,272,696 |
| | GBP | Nil | Nil | 338 | 26,175 |
| | JPY | Nil | Nil | 171,769 | 89,183 |
| | USD | 3,447 | 155,210 | 22,030 | 1,017,158 |

11) (a) In the opinion of the Board, current assets, loans and advances have a realisation value in the ordinary course of business, at least equal to the amount at which they are stated. The provision for depreciation and for all known liabilities is adequate and not in excess of the amount reasonably necessary.

(b) The accounts of certain Sundry Debtors, Sundry Creditors, Banks, Advances, and Lenders are subject to confirmation/reconciliations and adjustments, if any. The management does not expect any material difference affecting the current year's financial statements.

**12) Basic and Diluted Earnings per Share as per AS- 20 is computed as under:**

**(Amount in Rs.)**

| Particulars | Apr10-Mar11 | Jan 09-Mar10 |
|---|---|---|
| Net Profit/(Loss) - Before Exceptional items | 22,904,961 | (55,295,916) |
| Net Profit/(Loss) - After Exceptional items | 35,163,868 | (55,295,916) |
| Weighted Average No. of Equity Shares | 47,001,711 | 12,891,586 |
| Nominal Value of Shares (Rs.) | 10 | 10 |
| Basic & Diluted Earnings per share - Before Exceptional items | 0.49 | (4.29) |
| Basic & Diluted Earnings per share - After Exceptional items | 0.75 | (4.29) |

**13) Employee Benefit Plans :**

The disclosures in accordance with the requirements of the Accounting Standards are provided below:-

**a) Defined Contribution Plan:**

The company has recognised Rs.2,632,666 towards its post-employment defined contribution plan comprising of a provident fund.

**b) Defined Benefit Plan:**

In accordance with Payment of Gratuity Act, 1972, the Company is required to provide post-employment benefits to its employee in the form of gratuities. The Company is contributing to the trust, administered by the Trustees and managed by ICICI Prudential, an amount actuarially valued at the year-end. In accordance with Accounting Standards, the disclosure relating to the Company's gratuity plan is given below:-

| | Particulars | Apr 10-Mar 11 (Rs) | Jan 09-Mar 10(Rs) |
|---|---|---|---|
| I | **Reconciliation of Opening and closing balances of Defined benefit Obligation** | | |
| | - Defined Benefit obligation at beginning of the year | 2,776,127 | 2,156,483 |
| | - Current Service Cost | 1,498,498 | 870,268 |
| | - Past Service Cost | 522,661 | - |
| | - Interest Cost | 229,030 | 277,808 |
| | - Actuarial (Gain)/Loss | (660,450) | (401,509) |
| | - Benefit paid | (975,023) | (126,923) |
| | - Liability Transfer out | - | - |
| | **Defined Benefit obligation at year end** | **3,390,843** | **2,776,127** |
| II | **Reconciliation of Opening and Closing balances of fair value of plan assets** | | |
| | - Fair Value of plan asset at beginning of the year | 3,058,312 | 2,651,655 |
| | - Expected return on plan assets | 244,665 | 258,819 |
| | - Actuarial Gain/(Loss) | (50,580) | 271,925 |
| | - Employer Contribution | - | - |
| | - Benefits Paid | (975,023) | (126,923) |
| | - Liability Transfer out | - | - |
| | - Fair Value of plan asset at year end | 2,277,374 | 3,055,476 |
| | **Actual return on plan assets** | **194,085** | **530,744** |
| III | **Expenses Recognised in Profit & loss account** | | |
| | - Current Service Cost | 1,498,498 | 870,268 |
| | - Past Service Cost | 522,661 | - |
| | - Interest Cost | 229,030 | 277,808 |
| | - Expected return on plan assets | (244,665) | (258,819) |
| | - Actuarial Gain & Loss | (609,870) | (673,433) |
| | **Expenses recognised in Profit & loss account** | **1,395,654** | **215,823** |

| | | |
|---|---|---|
| **IV Amount Recognised in the Balance Sheet** | | |
| - Defined benefit obligation as at end of the year | 3,390,843 | 2,776,127 |
| - Fair Value of plan assets at the end of the year | 2,277,374 | 3,055,476 |
| **Net Liability / (Assets)** | **1,113,469** | **(279,349)** |
| **V Actual Return on plan Assets** | 194,085 | 530,744 |
| - Expected return on plan assets | 244,665 | 258,819 |
| **Actuarial gain/ (loss) on plan assets** | **(50,580)** | **271,925** |
| **VI Principal actuarial assumptions** | | |
| - Discount rate | 8.25% | 8.25% |
| - Expected rate of return on plan assets | 8.00% | 8.00% |
| - Salary increment rate | 6.00% | 6.00% |
| **VII Composition of plan assets** | | |
| - Central Government Securities | 0% | 0% |
| - State Government Securities | 0% | 0% |
| - Approved marketable securities | 0% | 0% |
| - Bonds/Debentures etc | 0% | 0% |
| - Insurer Managed Funds | 100% | 100% |

Notes:

1. Expected rate of return on plan assets and salary increment rate are based on actuarial expectation.
2. The liability recognised with respect to leave encashment/entitlement in the balance sheet as on 31st March 2011 is Rs.3,076,233 (previous year Rs.2,105,390).

14) Additional information pursuant to the provisions of paragraphs 3, 4c and 4d of Part II of Schedule VI to the Companies Act, 1956.

Details of opening stock, production, sales, closing stock of finished goods and consumption of raw materials relates to commercial production starting September 21st, 2010.

**a) Licensed and installed capacities and production**

| | **Licensed (M.T.) [a]** | | **Installed (M.T.) [b]** | | **Actual Production (M.T.)** | |
|---|---|---|---|---|---|---|
| | **2010-11** | **Jan 09-Mar 10** | **2010-11** | **Jan 09 - Mar 10 [c]** | **2010- 11** | **Jan 09 - Mar 10 [c]** |
| PET Partially Oriented Yarn [d] | - | - | 28,240 | - | 1,103.94 | - |
| PET Draw Texturised Yarn | - | - | 28,240 | - | 5,013.04 | - |
| PET Polymer Chips (Bottle/Fibre Grade) | - | - | 28,240 | - | 669.92 | - |
| Washed PET Flakes [e] | - | - | 5,400 | - | 1,374.99 | - |

Notes:

[a] De-licensed, hence not applicable

[b] Installed capacity is as certified by the management and accepted by auditors, being a technical matter.

[c] This being the first year of commercial operations, Installed and production capacity for the previous year is not given.

[d] Includes 814.32 MT for captive consumption

[e] Include 610.05 MT for captive consumption

**b) Particulars in respect of Opening and Closing Stock of Finished Good**

| Particulars | 2010-2011 | | | | 2009- 2010 | | | |
|---|---|---|---|---|---|---|---|---|
| | Opening | | Closing | | Opening | | Closing | |
| | Qty (MT) | Amount (Rs) | Qty (MT) | Amount (Rs) | Qty (MT) | Amount (Rs) | Qty (MT) | Amount (Rs) |
| **PET Draw Texturised Yarn** | Nil | Nil | 535.96 | 54,961,395 | Nil | Nil | Nil | Nil |
| **PET Flakes** | Nil | Nil | 10.01 | 582,193 | Nil | Nil | Nil | Nil |
| **PET Chips** | 2.2 | 93,511 | 94.65 | 7,303,519 | Nil | Nil | Nil | Nil |
| **By Products** | Nil | Nil | - | 422,997 | Nil | Nil | Nil | Nil |
| **Total** | 2.2 | 93,511 | 640.62 | 63,270,104 | Nil | Nil | Nil | Nil |

**c) Particulars in respect of Sales**

| Particulars | 2010-2011 | | 2009-2010 | |
|---|---|---|---|---|
| | Qty.(MT) | Value (Rs.) | Qty.(MT) | Value (Rs.) |
| PET Chips | 577.47 | 41,947,895 | - | - |
| PET Flakes | 754.93 | 39,827,103 | - | - |
| Draw Texturised Yarn | 4,477.10 | 408,263,592 | - | - |
| Partially Oriented Yarn | 24.28 | 2,076,331 | - | - |
| Sale of Scrap | 185.69 | 2,859,619 | - | - |
| Excise Duty Recovered | | 43,888,908 | - | - |
| **Total** | | **538,863,448** | **-** | **-** |

**(d) Raw Materials consumed:**

| Particulars | 2010-2011 | | 2009-2010 | |
|---|---|---|---|---|
| | Qty.(MT) | Value (Rs.) | Qty.(MT) | Value (Rs.) |
| Mono Ethylene Glycol (MEG) | 778.30 | 48,039,403 | - | - |
| Purified Terephthalic Acid (PTA) | 1,633.93 | 103,233,896 | - | - |
| Partially Oriented Yarn | 4,184.43 | 398,152,816 | - | - |
| PET Bottles & Flakes | 226.56 | 4,598,659 | - | - |
| **Total** | | **554,024,774** | **-** | **-** |

**(e) Value of Raw Material consumed:**

| | 2010-2011 | | 2009-2010 | |
|---|---|---|---|---|
| **Particulars** | **Amount (Rs.)** | **%** | **Amount(Rs.)** | **%** |
| Imported | 103,233,896 | 18.63% | -- | -- |
| Indigenous | 450,790,878 | 81.37% | -- | -- |
| **Total** | **554,024,774** | **100.00%** | **--** | **-** |

**(f) Expenditure in Foreign Currency (on actual realisation basis):**

| Particulars | Apr10-Mar11 (Rs.) | Jan 09-Mar 10 (Rs.) |
|---|---|---|
| Travelling and other expenses | 3,149,390 | 2,008,766 |
| Interest | - | 16,607,548 |
| Technology Collaboration Fees | - | 25,398,000 |
| Technical & Professional Fees | 419,417 | 5,790,867 |

**(g) Earnings in Foreign Currency (on actual realisation basis):**

| **Particulars** | **Apr 10-Mar11 (Rs.)** | **Jan 09-Mar 10 (Rs.)** |
|---|---|---|
| Export of goods on FOB Basis | 56,112,163 | 5,660,493 |
| Consultancy Advisory | 204,185,700 | - |

**(h) CIF Value of Imports:**

| **Particulars** | **Apr 10-Mar11 (Rs.)** | **Jan 09-Mar 10 (Rs.)** |
|---|---|---|
| Capital Equipments | 8,077,395 | 524,520,515 |
| Raw Materials | 160,787,040 | 153,004,745 |

15). The remarks with respect to the Company's Internal Audit and inventory raised in the Annexure to the Auditors Report are addressed as under:

(a) Internal Audit: The Company only commenced full commercial operation during the fourth quarter FY 2011. Accordingly, internal audit was carried out for the relevant period of commercial operation and corresponding areas. Subsequent to March 31st, 2011, the Company has defined a much wider scoped internal audit program that will be conducted throughout FY 2011-12.

(b) Physical Verification of Inventory: The Company only commenced full commercial operation during the fourth quarter FY 2011 with physical inventory carried out at the end of the accounting year. During FY2011-12, the Company will be carrying out regular physical inventory verifications.

16). (a) The previous year's figures have been re-grouped and/or re-arranged wherever necessary to conform to the current year's presentation.

(b) Figures for the current year comprising of 12 months is not comparable to that of previous year comprising of 15 months.

**SIGNATURES TO SCHEDULES '1' TO '20'**

For and On behalf of the Board

| | | |
|---|---|---|
| **Subodh Maskara** | **Marc Lopresto** | **Paresh Damania** |
| Chairman | Wholetime Director | Company Secretary |

Place: Mumbai
Date: 3 June 2011

**Additional Information Pursuant to Part IV of Schedule VI to the Companies Act, 1956.**

**I. Registration Details**

| | | | |
|---|---|---|---|
| CIN No. | L17120MH1981PLC025388 | State Code | 11 |
| Registration No. | 11-25388 | | |
| Balance Sheet Date | 31-03-2011 | | |

**II Capital raised during the year: -**

| | | | |
|---|---|---|---|
| Public Issue: | Rs. Nil | Right issue | Rs. Nil |
| Bonus Issue | Rs. Nil | Private placement (CCPS) | Rs.Nil |

**III Position of Mobilization and Deployment of Funds**

| | (Amt. in Rs.) | | (Amt. in Rs.) |
|---|---|---|---|
| Total Liabilities: | 2,599,032,633 | Total Assets: | 2,599,032,633 |
| **Sources of Funds** | (Amt. in Rs.) | **Application of Funds** | (Amt. in Rs.) |
| Paid up Capital | 1,226,557,650 | Net fixed Assets (including held for disposal) | 2,405,820,933 |
| Reserve & Surplus | 25,715,674 | Net current Assets | 94,410,266 |
| Secured Loans | 1,314,255,835 | Accumulated losses | 2,238,993 |
| Unsecured Loans | 5,503,474 | Deferred Tax Assets | 96,562,441 |

**IV Performance of the Company**

| | (Amt. in Rs.) | | (Amt. in Rs.) |
|---|---|---|---|
| Turnover (including Service charges) | 705,900,146 | Total Expenditure | 683,107,760 |
| Profit/(Loss) before tax | 38,910,375 | Profit /(Loss) after tax | 35,163,868 |
| Earning per Share before Exceptional Items | 0.49 | Dividend Rate | Nil |
| Earning per Share after Exceptional Items | 0.75 | | |

**V Genetic Names of Three Principal Products of the Company (as per monetary terms)**

| | |
|---|---|
| Item Code No. (ITC Code) | 54023300 |
| Product Description | Polyester Drawn Texturised Yarn |
| Item Code No. (ITC Code) | 54024600 |
| Product Description | Polyester Partially Oriented Yarn |
| Item Code No. (ITC Code) | 39076010-20 |
| Product Description | Poly Ethylene Terepthalate |

**For and on behalf of the Board**

| | | |
|---|---|---|
| **Subodh Maskara** | **Marc Lopresto** | **Paresh Damania** |
| Chairman | Wholetime Director | Company Secretary |

**Place:** Mumbai
**Date:** 3 June 2011

## POLYGENTA TECHNOLOGIES LIMITED

Regd. Office : B-302, Dipti Classic Premises, Suren Road, Andheri(E), Mumbai-400 093.

**FORM OF PROXY**

I/We ..............................................................................................................................

of ..................................................................................................................................

being a member(s) of the above named Company, hreby appoint ........................................................

.................................................................................... of ..............................................................

or failing him...................................................................................................................

of ..................................................................................................................................

as my/our proxy to vote for me/us on my/our behalf at the Twenty Ninth ANNUAL GENERAL MEETING of the Company to be held at B-302, Dipti Classic Premises, Suren Road, Andheri (E), Mumbai-400 093 on Tuesday, 20th, September 2011 at 03.00 P.M and at any adjournment thereof.

Signed at .............................................. (place) this .................................... day of ................................ 2011

Member Folio No. .............................................

No. of Shares held .............................................

Affix
Rs. 1/-
Revenue
Stamp

**Important :**

(a) Revenue Stamp of One Rupee is to be affixed on this form.
(b) The Form should be signed across the stamp as per specimen signature registered with the Company.
(c) The Companies Act, 1956 lays down that an instrument appointing a proxy shall be deposited at the Registered Office of the Company, not less that FORTY-EIGHT HOURS before the time fixed for holding the Meeting.
(d) A proxy need not be a Member.

## POLYGENTA TECHNOLOGIES LIMITED

**ATTENDANCE SLIP**

Regd. Office : B-302, Dipti Classic Premises, Suren Road, Andheri(E), Mumbai-400 093.

*To be handed over at the entrance of the Meeting Hall.*

| | |
|---|---|
| | |
| Name of the attending Member (in Block Letters) | Membership Folio Number |
| | |
| Name of Proxy (in Block Letters) (To be filled in, if the Proxy attends instead of the member) | Number of shares held |

I hereby record my presence at the Twenty Ninth ANNUAL GENERAL MEETING of the shareholders of the Company held on Tuesday, the 20th day of September, 2011 at 03.00 p.m. at the registered office of the Company at B-302, Dipti Classic Premises, Suren Road, Andheri(E), Mumbai-400 093.

Member's / Proxy's Signature
(to be signed at the time of handing over this slip)

**POLYGENTA TECHNOLOGIES LTD.**
Regd. Office : B-302, Dipti Classic Premises, Suren Road, Andheri(E), Mumbai: 400093
Tele :022-61933333/61933309 • Fax :022-61933316
Email : companysecretary@polygenta.com • website: www.polygenta.com

22nd August 2011

**Dear Shareholder,**

As you are aware the Ministry of Company Affairs has taken a “Green Initiative in the Corporate governance” by allowing paperless compliances by the Company. MCA has issued a Circular on 21st April 2011 stating that service of notice / documents by a company to its shareholders can now be made through electronic mode.

To support such noble initiative by MCA, your company proposes to send documents such as Notice of AGM, Audited Financial statements, Directors' Report, Auditors Report and all other statutory documents to the shareholders in Electronics form w.e.f 1st October 2011.

You are holding Company's share(s), but your email address is not available with us on records. Please let us know your email id by sending email to Khade@unisec.in and companysecretary@polygenta.com and giving the following details. You can also courier/fax the information at the registered office of the company.

Name of the Shareholder : ____________________________________________

Address of the Shareholder : ____________________________________________

Registered Folio No. : ____________________________________________

No. of Shares held : ____________________________________________

Email Id : ____________________________________________

In case you are holding the shares in Demat form, please provide/update your email address with your Depository Participant (DP) as the company shall pick up the data from DP for the purpose of emailing the documents.

Please note that as a valued shareholder you are always entitled to request and receive free of cost a printed copy of the annual report of the Company and all other documents.

We solicit your support in helping the Company to implement the e-governance initiative of the Government.

Thanking you,
Yours faithfully,

**Paresh Damania**
Company secretary

*To,*

*If undelivered, please return to :*

***Polygenta Technologies Limited***

B-302, Dipti Classic Premises, Suren Road,

Andheri(E), Mumbai-400 093