

**ANNEXURE "A" TO THE DIRECTORS' REPORT**

Particulars of Conservation of Energy, Technology Absorption and foreign exchange earnings and outgo in terms of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 forming part of the Directors' Report for the year ended 30th September, 2005.

**I. CONSERVATION OF ENERGY**

- (a) Energy Conservation Measures Taken Conservation of energy has always been an area of priority in the Company's operations. The Company is focusing on installation of energy efficient machinery and processes, however the Company is facing funds constraints.

**FORM A****DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY****POWER & FUEL CONSUMPTION:**

1. Electricity:	Current Year (2004-05)	Previous Year (2003-04)
a) Purchased Units (in Lac)	Nil	Nil
Total Amounts (Rs...Lac)	Nil	Nil
Rates/Unit (Rs....Lac)	Nil	Nil
b) Own Generation (Through Diesel based Generator)		
Diesel Consumed (Ltrs.)	1347642	3959045
Total Amount Rs.	31019300	71286228
Cost / Ltr. (Rs.)	23.02	18.00
2. Coal, Lignite & Fire Wood:	Nil	Nil
3. Furnace Oil:		
FO Consumed (Ltrs.)	1627019	Nil
Total Amount Rs.	22424266	Nil
Cost / Ltr. (Rs.)	13.78	Nil
4. Others (Internal Generation):	Nil	Nil

**FORM B****II. RESEARCH & DEVELOPMENT:**

The Company has no specific Research and Development department. However, the Company has a quality Control Department to keep a check and maintain the quality of different products manufactured.

**III. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION**

The Company strives to keep itself updated with all latest technological innovations by way of constant communications and consulting experts. Sincere efforts are being made to reduce cost and to improve performance, quality as well as efficiency. But due to funds constraints the Company is not able to implement and adopt costlier technologies and innovations.

**FOREIGN EXCHANGE EARNINGS/OUTGO:**

	(Rs. in Lakh)	
	Current Year (2004-05)	Previous Year (2003-04)
Foreign Exchange Earnings:	314.52	33.71
Foreign Exchange Outgoings:	931.25	166.88

**BY ORDER OF THE BOARD  
FOR MAHENDRA PETROCHEMICALS LIMITED**

**M. K. ARYA**  
**CHAIRMAN**

Date: 27.02.2006  
Place: Ahmedabad

**ANNEXURE "B" TO THE DIRECTORS' REPORT****MANAGEMENT DISCUSSION & ANALYSIS****a) Textile Business / Industry Outlook**

The polyester industry in India and globally has been suffering mainly on account of ever increasing crude oil prices and over supply of POY/PFY/ Polyester Chips coupled with lower realisation due to unhealthy competition from south east Asian countries. There was a sharp decline in the Price of POY worldwide without commensurate reduction in the cost of raw material as a result there was an unprecedented squeeze in the margin of POY. The selling pressure has resulted into a decline in price level at global markets. In Indian market over the last few years due to capital expansion, the polyester industry has generated over capacity without the commensurate growth in demand. The short term outlook of the industry seems to be not so growth oriented and margin is likely to remain under pressure.

**b) Human Resource / Industrial Relations**

Your company has been maintaining the cordial and peaceful relationship with the employees at all levels, which has been possible with the support of employees and outsiders both. Your Directors also wish to acknowledge the co-operation and assistance received from the valued customers, suppliers, banks, financial institutions and various Governments, Semi Government and other authorities.

**c) Internal Control Systems**

The Company has adequate internal control system commensurate with the size of the Company and the nature of its business.

**d) Manufacturing Excellency**

To compete in and face the market challenges your management is taking all the possible steps to limit the cost and putting required attention over the quality of the product to meet the optimum standards.

**e) Cautionary Note**

Certain statements in the "Management Discussion & Analysis" section may be forward looking and are stated as required by the applicable laws and regulations. Many factors may affect the actual results, which may be different from which the directors envisage in term of future performance and outlook.

**f) Financial Performance**

	(Rs. In Lac)		
Particulars	2004-2005	2003-2004	2002-2003
<b>INCOME</b>			
Sales	6210.23	13535.97	10911.58
Other Income	7.52	9.06	0.10
	6217.75	13545.03	10911.68
Less :- Excies & Custom Duty Expenses	879.72	3228.56	1096.56
	5338.03	10316.47	9815.12
<b>EXPENDITURE</b>			
Materials & Overheads (+/- Stock Adj.)	5693.27	9639.40	9434.31
<b>PROFIT / (LOSS) BEFORE INTEREST, DEPRECIATION, TAXATION</b>	(355.24)	677.07	380.81
Less :- Financial Charges	91.14	99.69	15.77
<b>GROSS PROFIT / (LOSS)</b>	(446.38)	577.38	365.04
Less :- Depreciation	341.43	359.08	328.00
Less :- Provision for Taxation	0.00	0.00	0.00
	(787.81)	218.30	37.04
Add : Extra Ordinary, Prior Period adjustments and Rectification of Errors	(75.58)	635.97	0.00
<b>NET PROFIT / (LOSS)</b>	<u>(863.39)</u>	<u>854.27</u>	<u>37.04</u>
<b>APPROPRIATIONS</b>			
Opening Balance	(6003.54)	(6852.56)	(6889.60)
Transfer to Debenture Redemption Reserve	0.00	5.25	0.00
Closing Balance	(6866.93)	(6003.54)	(6852.56)
	<u>(863.39)</u>	<u>854.27</u>	<u>37.04</u>
<b>EARNING PER SHARE</b>	(4.70)	4.65	0.20