



WELSPUN SYMEX LIMITED

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23rd
ANNUAL REPORT
2005 – 2006

WELSPUN SYNTEX LIMITED**WELSPUN SYNTEX LIMITED****COMPANY INFORMATION****BOARD OF DIRECTORS**

Mr. G.R.GOENKA
 Mr. B.K.GOENKA
 Mr. R.R.MANDAWEWALA
 Mr. MURARILAL MITTAL
 Mr. V.L.BHUTRA
 Dr. ANIL KANE
 Mr. G.J. PRASAD
 Mr. ATUL DESAI
 Mr. RAJ KUMAR JAIN
 Mr. M.K. TANDON

CHAIRMAN
 VICE CHAIRMAN
 MANAGING DIRECTOR

DIRECTOR (OPERATIONS)
 NOMINEE IDBI
 NOMINEE IFCI

COMPANY SECRETARY

Mr. K.N.KAPASI

AUDITORS

MGB & CO., CHARTERED ACCOUNTANTS

BANKERS

BANK OF BARODA, STATE BANK OF BIKANER & JAIPUR

REGISTERED OFFICE

SURVEY NO.394 (P), VILLAGE SAILY, SILVASSA,
 UNION TERRITORY OF DADRA & NAGAR HAVELI

CORPORATE OFFICE

KAMANI WADI, 1ST FLOOR, 542, JAGANNATH SHANKAR
 SHETH ROAD, CHIRA BAZAR, MUMBAI – 400 002.
 EMAIL : welspun@bom5.vsnl.net.in
 WEBSITE : www.welspunsyntex.com

FACTORY

SURVEY NO.394 (P), VILLAGE SAILY, SILVASSA,
 UNION TERRITORY OF DADRA & NAGAR HAVELI
 PLOT NO.14/15, DEWAN INDUSTRIAL ESTATE,
 PALGHAR, DISTRICT THANE, MAHARASHTRA

LISTING OF SHARES

BOMBAY STOCK EXCHANGE LIMITED
 PHIROZE JEEJEEBHOY TOWER, DALAL STREET, MUMBAI 400 001

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DIRECTORS' REPORT

To,
The Members,
WELSPUN SYNTEX LIMITED

Your Directors have pleasure in presenting the Twenty-third Annual Report together with Audited Statement of Accounts of the Company for the year ended 31st March 2006.

FINANCIAL RESULTS AND APPROPRIATIONS:

	2005-2006	2004-2005
	(Rs. in lacs)	
Gross Profit before Depreciation & Finance Expenses	3693.26	2451.37
Less : Finance Expenses	649.75	789.88
Depreciation	1581.56	1580.05
Profit before tax	1461.95	81.44
Less : Provision for tax - Current Tax	43.75	0.00
Deferred Tax	886.07	57.19
Fringe Benefit Tax	5.20	0.00
Profit after tax	526.93	24.25
Add : Profit brought forward	1341.70	1317.45
Less : Transfer to Capital Redemption Reserve	66.78	0.00
Profit carried to Balance Sheet	1801.85	1341.70

In order to conserve resources of the Company, no dividend is recommended.

PERFORMANCE

During the year under review, sales / services and Gross Profit before Interest and Depreciation were of Rs.26713.41 lacs and Rs.3693.26 lacs respectively as compared to Rs.26247.63 lacs and Rs.2451.37 lacs respectively for the previous year.

The Company continued its concentration on Speciality yarns, High quality and developed new products during the year. Prices of raw material remain almost stable throughout the year. Performance of the Company has therefore improved during the year under review as compared to the previous year.

Exports during the financial year 2005-06 were of Rs.4167.62 lacs as compared to Rs.5093.40 lacs during the previous year.

EXPANSION

The Company proposed to expand its unit at Rakholi by installing Texturising Machinery and adding one more line for manufacturing Mono Filament Yarn at an estimated project cost of Rs.29.19 crore.

The Company shall take Term Loans of Rs.22 crore from Banks and the balance of Rs.7.19 crore shall be met from the internal accruals. Term Loans of Rs.22 crore have already been sanctioned by banks. This will add the installed capacity of production by 7463 tons p.a. and the margin on profits is likely to be improved.

DIRECTORS RESPONSIBILITY STATEMENT:

- In the preparation of the annual accounts, applicable accounting standards have been followed, with proper disclosure of any departures.
- The accounting policies are consistently applied and reasonable, prudent judgement and estimates are made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
- That the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

- That the directors have prepared the accounts on a going concern basis.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri G.R.Goenka, Shri B.K. Goenka and Shri Atul Desai, retire by rotation at the 23rd Annual General Meeting and being eligible have offered themselves for reappointment.

Board has recommended their appointments.

AUDIT COMMITTEE

Constitution of Audit Committee is mentioned in Corporate Governance Report as enclosed.

PUBLIC DEPOSITS

The Company has not accepted deposits during the year within the meaning of Section 58A of the Companies Act, 1956 read with The Companies (Acceptance of Deposits) Rules, 1975.

AUDITORS

Your Company's Auditors, M/s. MGB & Co, Chartered Accountants retire at the ensuing Annual General Meeting and being eligible, have given their consent to act as Auditors of the Company. Members are requested to consider their reappointment as the Auditors of the Company for the current year and to fix their remuneration.

CORPORATE GOVERNANCE

A separate report on Corporate Governance is annexed hereto as a part of this Report. Management Discussion and Analysis Statement is separately given in the Annual Report. A certificate from the Auditors of the company regarding compliance of conditions of Corporate Governance as prescribed under Clause 49 of the Listing Agreement is attached to this report.

AUDITORS' REPORT

Please refer to Auditors' Observations relating to Note No.9 of Notes on Accounts and we state that the Company is in the process of executing documents to transfer land and building in the name of the Company. The Company is in possession of land and building located at Village Saily, Silvassa, U.T. of Dadra & Nagar Haveli without any interference for more than ten years.

References drawn by the auditors in their report other than mentioned above are self-explanatory.

THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

In terms of the above Rules, your Directors are pleased to give the particulars as prescribed therein in the Annexure, which forms a part of the Directors' Report.

PARTICULARS OF EMPLOYEES

Information as per Section 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of employees) Rules 1975 forms part of this report.

APPRECIATION

Your Directors take this opportunity to express gratitude for valuable assistance and co-operation extended to the Company by Financial Institutions, Employees, Commercial Banks and other authorities.

For and on behalf of the Board of Directors

R.R.Mandawewala
Managing Director

V. L. Bhutra
Director (Operations)

Place : Mumbai
Date : 29th June, 2006

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE, SCENARIO & DEVELOPMENT

Clothing demand in India is growing at a CAGR of around 3% for the last 10 years. Share of Man Made Fiber (MMF) in the clothing consumption has been increasing over the years. The share of MMF increased to 42% in 2003-04 from 23% in 1990-1991. This was mainly due to the increased price competitiveness of Polyester over cotton.

Domestic Polyester Feed stock prices remain competitive inspite of higher crude prices due to poor Polyester demand. However, reduced excise duty on Man Made Fibre in union budget 2006-07 can lead to lower market prices, improving domestic demand for Man Made Fibre. There were reductions in Custom duties as well. All such duty reductions can lead to a better consumption of polyester filaments yarns in near future. Further, VAT has been implemented in most of the states, leading to a level playing field for Industry.

Currently, China has 39% share of world polyester fiber/filament yarn production capacity. Against this, India has around 2.2 MMT/annum production capacities for Polyester Fibre/Filament yarns, which is at about 6% of the world capacity. By the end of 2006-07, there will be additional capacity of 1.5 MMT in India. With this, the total capacity will reach around 3.7 – 4 MMT. It is further expected to reach 5 MMT by 2010-11 (around 10-11% of world capacity). Demand for Polyester filament in India is growing at the rate of 10%pa, at this rate; this excess capacity getting commissioned by next year, will get absorbed in 2-3 years time.

OPPORTUNITY AND THREATS

Various new small sized plants have also commenced production of Specialty yarns, which can create competition to company's product line. The new capacity of Dope Dyed FDY in India is likely to put pressure on prices for local as well as exports.

Currently, Anti Dumping Duty on POY & FDY is under review. If Anti Dumping Duty is applied on POY & FDY, it can tilt the local demand towards domestic consumption rather than imports.

As the Excise duty on Chips was made 16% on Polyester chips and 8% on yarn, this can lead to a balance of unutilized Excise duty due to higher duty on input and lower value additions at the yarn stage.

On the Export front, there is a tough competition from China in most of the markets. Yet, focus of export has been made on Specialty products so that the volumes can be maintained. Our focus area in export has been Package Dyed Yarns, where our volumes have grown significantly.

PRODUCT WISE PERFORMANCE

Company was able to match 95% efficiency in Spinning (95% in 2004-05) and 82% efficiency in Texturising

(83% in 2004-05). Further, to offset the pressure of competition from new players, company is focusing on New Specialty products like SD Dope Dyed yarns, Easy Dyeable yarns, Mono Tex, Nylon6,6 Dyed, Embroidery yarns & Sewing Threads.

The Company's sound business strategies, concentration on Specialty yarns, high quality and constant development of new products will continue to strengthen its position in domestic as well as international market.

OUTLOOK

With expected growth in Industrial, Agriculture and Service sector, overall demand as well as per capita textiles consumption is likely to be improved. Further rationalization in excise structure can improve the profitability of the Company.

RISKS & CONCERNS

Prices of raw materials fluctuate due to high volatility in Crude oil prices. Further, additional capacities in the industry cause pressure on sales and margins.

However, the company expects to mitigate the impact of risks and concerns since the company concentrates on Specialty yarns, High quality and development of new products constantly.

ADEQUACY OF INTERNAL CONTROL SYSTEM

Welspun has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition and that transactions are authorised, recorded and reported correctly.

The Company has internal audit system, which covers cost saving aspects, system and procedure improvement. Such reports are regularly reviewed by the management and corrective measures are timely taken for improving efficiency.

DISCUSSION ON FINANCIAL PERFORMANCE

During the year, sales and services were of Rs.26713.41 lacs as against Rs.26247.63 lacs in the previous year. The Company has earned net profit of Rs.526.93 lacs as against net profit of Rs.24.25 lacs during the previous year.

HUMAN RESOURCES

During the year under review, your Company continued its concern for development of its personnel through various training programmes. Besides, Management has laid special emphasis on strengthening HR activities for all levels in the Organisation.

Industrial relations during the year were cordial.

INSURANCE:

Welspun has insured its assets and operations against a wide range of risks as part of its overall risk management strategies.

ANNEXURE TO THE DIRECTORS' REPORT

I) INFORMATION UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2006.

Name	Designation/ Nature of duties	Remuneration received	Educational Qualification	Experience in years	Date of commencement of employment	Age	Last employment before joining the company
1	2	3	4	5	6	7	8
S.K.Agarwal	President	Rs.26,53,188	B.Tech (Chemical)	33	01.05.1998	55	M/s.Orkay Polyesters, Patalganga

Notes: 1. Gross remuneration comprises salary & allowances. 2. The nature of employment is contractual. 3. Above mentioned employee is not a relative of any Directors of the Company.

II) NONE OF THE EMPLOYEES HAS RECEIVED RS.2,00,000 PER MONTH OR MORE FOR A PART OF THE YEAR.



FORM A
(SEE RULE 2)

**FORM FOR DISCLOSURE OF PARTICULARS WITH
RESPECT TO CONSERVATION OF ENERGY**

	Current Year 2005-2006	Previous Year 2004-2005
A. POWER AND FUEL CONSUMPTION		
1 ELECTRICITY		
(A) PURCHASED UNITS (IN '000S)	68192.75	71941.36
TOTAL AMOUNT (Rs IN LACS)	1911.52	1997.90
RATE/UNIT (Rs)	2.80	2.78
(B) OWN GENERATION		
(I) THROUGH DIESEL/GAS GENERATOR		
UNITS (IN '000S)	415.21	1080.05
UNITS PER LTR OF DIESEL OIL	3.37	3.60
COST/UNIT (Rs.)	7.95	5.63
(II) THROUGH STEAM TURBINE / GENERATOR	NIL	NIL
2 COAL (SPECIFY QUALITY AND WHERE USED)	NIL	NIL
3 FURNACE OIL		
QUANTITY (K. Ltrs.)	198.11	475.64
TOTAL AMOUNT (Rs. IN LACS)	29.92	57.05
AVERAGE RATE (K. Ltrs.)	15103.02	11994.32
4 OTHERS/INTERNAL GENERATION	NIL	NIL

B. CONSUMPTION PER UNIT OF PRODUCTION

	Standards	Current Year	Previous Year
PRODUCTS (With Details)			
UNITS	—	Kg.	Kg.
ELECTRICITY	—	1.55	1.60
FURNACE OIL	—	—	—
COAL (Specify Quality)	—	—	—
OTHERS (Specify)	—	—	—

FORM B

(SEE RULE 2)

**FORM FOR DISCLOSURE OF PARTICULARS WITH
RESPECT TO ABSORPTION**

Research and Development (R&D)

- | | |
|--|---|
| 01 Specific areas in which R&D is carried out by the Company | - Development of Special types of Yarn |
| 02 Benefit derived as a result of the above R&D | - New qualities were introduced. |
| 03 Future plan of action | - Continuous development of new products as per market requirements |
| 04 Expenditure on R&D | |
| (a) Capital | - NIL |
| (b) Recurring | - NIL |
| (c) Total | - NIL |
| (d) Total R&D expenditure as a percentage of total turnover | - NIL |

Technology absorption, adaptation and innovation.

- | | |
|---|---|
| 01 Efforts, in brief made towards technology absorption, adaptation and innovation | - To improve upon the quality, various discussions were held with technical persons abroad i.e. Korea, Japan and Taiwan and accordingly, process modifications/ changes were done to get improvement in semi dull mono working. |
| 02 Benefits derived as a result of the above efforts, etc. Product improvement, cost reduction, product development, imports substitution | - 1. Continuous improvement of 240/12 Mother Yarn has brought quality to international quality level where the same is being regularly exported and supplied to local market as well
2. Besides the above, the company has successfully developed Mono black yarn.
3. The above product will give lower production cost, improvement in quality and better realization. |
| 03 In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:
(a) Technology imported
(b) Year of import
(c) Has technology been fully absorbed?
(d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action. | - NIL |

Foreign exchange earnings and outgo

- | | |
|--|--|
| 01 Activities relating to exports, initiatives taken to increase exports; development of new export markets for products and services and export plans | - We have been successful in developing and establishing new customers in market like Australia, Serbia, Mauritius and Mexico. |
| 02 Total foreign exchange used and earned | |
| Used | : Rs. 3707.27 lacs |
| Earned | : Rs. 3809.52 lacs |

WELSPUN SYNTEX LIMITED

CORPORATE GOVERNANCE REPORT FOR THE YEAR FROM APRIL 1, 2005 TO MARCH 31, 2006

Annexure to the Directors' Report

A. COMPANY'S PHILOSOPHY

Welspun Syntex Limited believes that for a company to succeed on a sustained basis, it must maintain global standards of corporate conduct towards its employees, shareholders, consumers and society.

The primary objective is to create and adhere to a corporate culture of conscience and consciousness, transparency and openness.

B. BOARD OF DIRECTORS

(i) Composition

Present strength of the Board of Directors is 10. Details of composition of the existing Board of Directors are given below:

Sr. No	Name of the Director	Category	No. of Other Directorship In Public Limited Companies	Membership in Board Committee of Companies	No. of Board Meetings Attended (01/04/05 to 31/03/06)	Attendance at last AGM
1.	Mr. B. K. Goenka	P, S, NE	12	3 M	2	No
2.	Mr. R. R. Mandawewala	P, E	8	1C/3M	4	No
3.	Mr. Murarilal Mittal	NE	6	3 M	4	No
4.	Mr. V. L. Bhutra	E	1	Nil	5	Yes
5.	Mr. G. R. Goenka	P, NE, S, C	2	Nil	Nil	No
6.	Dr. Anil Kane (Nominee of IDBI)	I, N	4	Nil	3	No
7.	Mr. Raj Kumar Jain	I	1	1C/1M	5	Yes
8.	Mr. Atul Desai	I, S	3	1C/4M	5	No
9.	Mr. M. K. Tandon	I	2	1C	5	No
10.	Mr. G. J. Prasad (Nominee of IFCI) (w.e.f. 30.06.2005)	I, N	2	Nil	3	No

NOTE: For the purpose of counting Membership in Board Committee of other Companies, Chairmanship/Membership of the Audit Committee, Remuneration Committee and the Share Transfer and Investor Grievance Committee alone are considered.

Abbreviations:

P = Promoter, E = Executive Director, NE = Non Executive Director, I = Independent Non Executive, N = Nominee Director, S = Shareholders, C = Chairman, M = Member

(ii) Details of Date of Board Meeting - Meeting of the Board of Directors were held during the financial year 2005-06 i.e. 10/05/2005, 30/06/2005, 30/07/2005, 22/10/2005, 31/01/2006

C. COMMITTEES OF THE BOARD

The Committee constituted by the Board as on date are

1. AUDIT COMMITTEE

The Audit Committee consists of the following 4 Non-Executive Independent Directors as on 31-03-2006.

- | | | |
|-------------------------------------|---|----------|
| a. Raj Kumar Jain | - | Chairman |
| b. Atul Desai | - | Member |
| c. M. K. Tandon | - | Member |
| d. G. J. Prasad (w.e.f. 30.06.2005) | - | Member |

The Secretary of the Company also acts as a Secretary to the Committee.

Terms of Reference:

The terms of reference stipulated by the Board of Directors to

the Audit Committee are as contained under clause 49 of the Listing Agreement.

Four meetings of Audit Committee of Board of Directors were held on 30/06/2005, 30/07/2005, 22/10/2005 and 31/01/2006. The details of Attendance of Members of audit committee are as follows:

Sr. No.	Name of the Member	Designation	Number of Meetings Attended (01/04/2005 to 31/03/2006)
1.	Raj Kumar Jain	Chairman	4
2.	Atul Desai	Member	4
3.	M. K. Tandon	Member	4
4.	G. J. Prasad	Member	2

2. SHARE TRANSFER AND INVESTOR GRIEVANCE COMMITTEE

- | | | | |
|----|-------------------|---|----------|
| 1. | Atul Desai | - | Chairman |
| 2. | B. K. Goenka | - | Member |
| 3. | R. R. Mandawewala | - | Member |
| 4. | Murarilal Mittal | - | Member |

Terms of Reference:

Approval of Share Transfer deeds, transmission, transposition and issue of share certificates including duplicate, split, sub divide or consolidated and all related matters, to look into redressing of share holders and investors complaints.

Name and designation of Compliance Officer: K. N. Kapasi - Company Secretary

Meetings of Share Transfer and Investor Grievance Committee were held sixteen times during the period under review and they were held on 30/04/2005, 31/05/2005, 15/06/2005, 30/06/2005, 30/07/2005, 31/08/2005, 15/09/2005, 15/10/2005, 31/10/2005, 30/11/2005, 15/12/2005, 31/12/2005, 31/01/2006, 15/02/2006, 28/02/2006, 31/03/2006.

The details of attendance of the members of the meeting of the said committee are as follows:

Sr. No.	Name of the Member	Designation	No. of Meetings Attended
1.	Mr. Atul Desai	Chairman	16
2.	Mr. B. K. Goenka	Member	16
3.	Mr. R. R. Mandawewala	Member	15
4.	Mr. Murarilal Mittal	Member	16

Number of Shareholders complaints received during the year:

During the Year under review total 3 Investor complaints were received. Break-up of number of complaints received under different category is given hereunder.

- | | | |
|---|---|---|
| 1. Non Receipt of Share Certificates after transfer | - | 3 |
| 2. Demat Queries | - | 0 |
| 3. Non-receipt of Duplicate Certificates | - | 0 |

All the complaints received during the year under review were solved within the time limit to the satisfaction of the investors/ shareholders and no complaint is pending as at 31st March 2006 for a period over 30 days.

The dematerialized shares are directly transferred to the beneficiaries by the depositories.

3. REMUNERATION COMMITTEE

Remuneration Committee of the Board of Directors of the Company consists of the following members.



1. Mr. Raj Kumar Jain - Chairman
2. Mr. Atul Desai - Member
3. Mr. B. K. Goenka - Member
4. Mr. R. R. Mandawewala - Member

During the year 2005-06, Remuneration Committee meeting was held on 10.05.2006. The meeting was attended by the following members.

Sr.No.	Name of the Member	Designation
1.	Mr. Raj Kumar Jain	Chairman
2.	Mr. Atul Desai	Member

Terms of Reference

To recommend payment of Remuneration to Executive Director and Managing Director from time to time.

The details of Remuneration paid/due during the period under review are mentioned below:

	Mr. R. R. Mandawewala (Managing Director)	Mr. V. L. Bhutra (Director- Operations)
	AMOUNT (Rs.)	AMOUNT (Rs.)
BASIC	1200000	759839
HRA	300000	303936
SPL.ALLOWANCE	NIL	205164
BONUS/EXGRATIA	NIL	64073
LTA	NIL	75984
TELEPHONE	NIL	18000
MEDICAL	NIL	15000
COMMISSION	NIL	NIL
TOTAL	1500000	1441996
OTHER TERMS		
NOTICE PERIOD	3 MONTHS	3 MONTHS
SERVICE CONTRACT	Upto 31.05.2010	Upto 30.06.2008
STOCK OPTION	NIL	NIL
SEVERANCE FEES	NIL	NIL

The details of sitting fees paid to Non Executive Directors of the Company are given below:

Name of Director	Sitting Fees Paid for attending meeting of Board of Directors /Audit Committee/ Remuneration Committee
Mr. Raj Kumar Jain	Rs. 15000
Dr. Anil Kane	Rs. 6000
Mr. Atul Desai	Rs. 15000
Mr. M.K. Tandon	Rs. 14000
Mr. G. J. Prasad	Rs. 8000

Remuneration Policy

All fees/compensation if any, paid to non executive directors, including independent directors shall be fixed by the Board of Directors and shall require previous approval of shareholders in general meeting, if required pursuant to Provisions of Companies Act, 1956 and provision of Listing Agreement with Bombay Stock Exchange Limited.

D. GENERAL BODY MEETING

The last three Annual General Meeting were held as under:

Financial Year	Date	Time	Place
2002-2003	15/12/2003	10.30 a.m.	Survey No. 394(P), Village Saily, Silvassa (U. T. of Dadra & Nagar Haveli)
2003-2004	29/09/2004	11.00 a.m.	Survey No. 394(P), Village Saily, Silvassa (U. T. of Dadra & Nagar Haveli)
2004-2005	24/09/2005	3.00 p.m.	Survey No. 394(P), Village Saily, Silvassa (U. T. of Dadra & Nagar Haveli)

Special Resolution passed in the previous 3 Annual General Meetings

Financial Year	Date	Special Resolution Passed
2002-2003	15/12/2003	Re- Appointment of Statutory Auditors under section 224A of the Companies Act, 1956
		De-Listing of Equity Shares of the Company from the Delhi Stock Exchange
2003-2004	29/09/2004	Re-Appointment of Statutory Auditors under section 224A of the Companies Act, 1956
2004-2005	24/09/2005	Re-Appointment of Statutory Auditors under section 224A of the Companies Act, 1956

There was no occasion to pass Special Resolution through postal ballot on any of the matters specified under Clause 49 of the Listing Agreement.

Further no such proposal is proposed to be placed for the shareholders approval in the forthcoming Annual General Meeting.

E. DISCLOSURES

Disclosures on materially significant related party transactions i.e. transactions of the company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of the company at large.

- a. Related party transactions : Please refer to the Note no. 12 (B) of schedule 18 of the Annual Report.
- b. Details of non compliance by the Company, penalties, strictures imposed on the company by the Stock Exchange or SEBI or any statutory authority, on any matter related to capital market during the last 3 years: Nil

Details of Compliance of the mandatory and non mandatory clauses of this clause

- i **Basis of Related Party transactions** - Complied in Audit Committee meeting and Board Meeting held during the year
- ii **Disclosure of Accounting Treatment**- Accounting standard has been followed.
- iii **Board Disclosures – Risk Management**- The company has laid down and adopted risk management procedures at its Board meeting dated 28.01.2005. The Company has appointed M/s. Astute Consultant for ascertaining the Risk Assessment and minimization procedures.
- iv **Proceeds from public issues, right issues, preferential issues etc.** – No money is raised through public issue, rights issue or preferential issues.
- v **Remuneration of Directors-**
 - i. There are no pecuniary relationship or transactions of the non-executive directors vis- a- via the company
 - ii. Disclosure relating to the Remuneration paid to Executive Director and Managing Director is made under the head Remuneration committee above.
 - iii. The company pays sitting fees to non executive directors for attending meeting of the Board of Directors, Audit Committee and Remuneration Committee. Details of the same are mentioned in the report under Remuneration committee above.

WELSPUN SYNTEX LIMITED

iv. No. of Shares held by Non – Executive Directors
Non-Executive Directors **No. of Equity shares held**

1. Mr. B.K. Goenka	13620
2. Mr. G.R. Goenka	7764
3. Mr. Murarilal Mittal	Nil
4. Dr Anil Kane (Nominee)	Nil
5. Mr. Atul Desai	120
6. Mr. M.K. Tandon	Nil
7. Mr. Raj Kumar Jain	Nil
8. Mr. G.J. Prasad (Nominee)	Nil

F. MEANS OF COMMUNICATION

The quarterly/half-yearly/audited financial results of the Company are sent to the Stock Exchanges immediately after they are approved by the Board of Directors.

The results were published in –

Audited results for the year ended 31.03.2005 – The Free Press Journal and Nhava Shakti

Unaudited financial results for the quarter ended 30.06.2005 – The Free Press Journal, Nhava Shakti

Unaudited financial results for the quarter ended 30.09.2005 – Business Standard, Western Times

Unaudited financial results for the quarter ended 31.12.2005 – Financial Express, Western Times

The unaudited results for the quarter/half-year ended/year ended 31st March, 2005, 30th June, 2005, 30th September, 2005 and 31st December, 2005 were posted on the SEBI website [www.sebi.gov.in\(EDIFAR\)](http://www.sebi.gov.in(EDIFAR))

Management Discussion and Analysis is a part of Annual Report.

G. APPOINTMENT / REAPPOINTMENT OF DIRECTORS**Reappointment of Directors**

- Shri G.R. Goenka aged 63 years is Chief Promoter and Chairman of the Company. He has been associated with the Company as the Director on the Board since 1994.

Shri G.R. Goenka has 44 years of experience in the field of Construction, Agro-products, Steel, Textile industry and export of rice. He is also Director of Welspun India Limited, and Welspun Gujarat Stahl Rohren Limited. He is holding 7764 Equity shares of the Company.

- Shri B.K. Goenka aged 40 years is chief promoter of the company and was the Managing Director of the company with effect from 14th August, 1998 to 30th June, 2002. He has contributed in sourcing plant and machinery, technology as well as upgrading the plant on continuous basis. He has considerable experience in the field of Textile, Saw Pipes and related business activities. He has been associated with the company as a director on the board since 1991.

He is also Director of Welspun India Limited, Welspun Gujarat Stahl Rohren Limited, Welspun Zucchi Textiles Limited, Welspun Power and Steel Limited, Goodvalue Polyplast Limited, Krishiraj Trading Limited, Mertz Securities Limited, Vipuna Trading Limited, Welspun

Finance Limited, Welspun Mercantile Limited, Welspun Trading Limited and Welspun Wintex Limited. He is holding 13,620 equity shares of the Company.

- Shri. Atul Desai is an Advocate & Solicitor and partner of M/s Kanga & Co. Advocates and Solicitors. He is 56 years of age. He is Director of the Company with effect from 29th January, 2002. His legal acumen is of immense value to the Company. He is also Director of TCFC Finance Limited, India Safety Vaults Limited, Jindal South West Holding Limited. He is holding 120 equity shares of the Company.

H. GENERAL SHAREHOLDERS INFORMATION**a. 23rd Annual General Meeting**

Venue - Survey No. 394(P), Village Saily, Silvassa (U. T. of Dadra & Nagar Haveli)

Time - 11:30 a.m.

Day and Date - Thursday, 14th September, 2006

Financial year - 31/03/2006

- Date of Book Closure - Thursday, 7th September, 2006 to Thursday, 14th September, 2006

- Dividend payment date - No dividend has been declared for the financial year 2005-06

d. Listing on Stock Exchanges and Stock Codes

The Company's securities are listed on Bombay Stock Exchange Limited, P. J. Tower, Dalal Street, Fort, Mumbai and Stock Code No. is 508933

e. Market Price Data- High-Low Quotations on Bombay Stock Exchange Limited during each month for the year April 1, 2005 to March 31, 2006

Month	Bombay Stock Exchange Ltd.		Sensex	
	Rupees			
	High	Low	High	Low
April, 2005	9.92	6.90	6649.42	6118.42
May, 2005	9.90	4.97	6772.74	6140.97
June, 2005	9.70	7.70	7228.21	6647.36
July, 2005	12.00	8.25	7708.59	7123.11
August, 2005	17.84	10.30	7921.39	7537.50
September, 2005	19.00	11.60	8722.17	7818.90
October, 2005	14.45	9.35	8821.84	7656.15
November, 2005	11.30	9.30	9033.99	7891.23
December, 2005	10.90	9.04	9442.98	8769.56
January, 2006	10.60	9.10	9945.19	9158.44
February, 2006	9.75	8.00	10422.65	9713.51
March, 2006	9.10	7.00	11356.95	10344.26

**f. REGISTRAR AND SHARE TRANSFER AGENT:****MCS Limited**

Plot No.6, Sector No.1, Khand Colony,
New Panvel (W), Mumbai- 410 206

SHARE TRANSFER SYSTEM

Shares sent for transfer in physical form are registered by the Company's Registrars and Share Transfer Agents within 30 days from the date of receipt of documents, if the same are found in order. Shares under objection are returned within two weeks

g. DISTRIBUTION OF SHAREHOLDINGS

The distribution of shareholding as on 31.03.2006 was as follows:

Share holding of nominal value of	Share holders		Amount	
	Number	% to Total	In Rs.	% to Total
(1)	(2)	(3)	(4)	(5)
Upto - 5,000	2132	67.19	4606580	0.49
5,001 - 10,000	463	14.59	4145210	0.44
10,001 - 20,000	245	7.73	4102280	0.43
20,001 - 30,000	88	2.77	2345720	0.25
30,001 - 40,000	39	1.23	1445020	0.15
40,001 - 50,000	53	1.67	2546060	0.27
50,001 - 1,00,000	82	2.58	6055090	0.64
1,00,001 and above	71	2.24	920555130	97.33
TOTAL	3173	100%	945801090	100%

h. DEMATERIALISATION OF SHARES AND LIQUIDITY

The Shares of the Company are fully dematerialized under the category of compulsory delivery in dematerialized mode by all categories of investors.

The Company has signed agreements with both the depositories i.e. National Securities Depository Limited and Central Depository Services (India) Limited. As on 31.03.2006, 99.85% of the shares of the Company are dematerialized.

The Company has not issued any GDRs/ADRs and there are no warrants or any convertible instruments.

i. LOCATION OF PLANT

- (i) 14 & 15, Dewan Industrial Estate, Palghar, Maharashtra
- (ii) Survey No. 394(P), Village Saily, Silvassa (U. T. of Dadra & Nagar Haveli) Registered Office is located at Survey No. 394(P), Village Saily, Silvassa (U. T. of Dadra & Nagar Haveli)

- j. **Address for correspondence** : 1st Floor, Kamaniwadi, 542, Jagannath Shankar Sheth Road, Near Princess Street Junction, Chirabazar, Mumbai - 400 002
- k. **Telephone No** : 22085362/22085242
- l. **Fax No** : 22085305
- m. **email id** : welspun@bom5.vsnl.net.in
- n. **Website** : welspunsyntex.com

Auditors Certificate on compliance of conditions of Corporate Governance under Clause 49 of the Listing Agreement

TO THE MEMBERS OF WELSPUN SYNTEX LIMITED

We have examined the compliance of conditions of Corporate Governance by Welspun Syntex Limited, for the year ended on 31st March, 2006, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that in respect of investor's grievance received during the year ended 31st March, 2006, the Share Transfer Registrars of the Company have certified that as at 31st March, 2006, there were no investor grievance remaining unattended/pending for more than 30 days.

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 the Company.

For MGB & CO.,

Chartered Accountants

Sanjay Kothari

Partner

Membership No.: 48215

Place : Mumbai

Date : 29th June, 2006.

WELSPUN SYNTEX LIMITED**AUDITORS' REPORT**

To,
The Members of
WELSPUN SYNTEX LIMITED

1. We have audited the attached balance sheet of Welspun Syntex Limited as at 31st March 2006 and also the profit and loss account and the cash flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of 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 from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section 4(A) of section 227 of the Companies Act, 1956, we annex hereto 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:
 - (i) 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;
 - (ii) In our opinion, proper books of Accounts as required by law have been kept by the company, so far as appears from our examination of books.
 - (iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act 1956
 - (v) On the basis of written representations received from the directors, as on 31st March 2006 and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts subject to, *Note no. 9 regarding Freehold Land and Buildings of Rs.380.78 lacs for which the company holds no title, and read with the significant accounting policies and other notes thereon as per schedule 18, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:*

- (a) in the case of the balance sheet, of the state of affairs of the company as at 31st March 2006;
- (b) in the case of the profit and loss account, of the profit for the year ended on that date; and
- (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For MGB & Co.
Chartered Accountants

Sanjay Kothari
Partner

Membership No. : 48215

Place : Mumbai

Date : 29th June, 2006

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF AUDITORS' REPORT TO THE MEMBERS OF WELSPUN SYNTEX LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2006.

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets *except asset identification numbers*.
- (b) A substantial portion of the fixed assets has been physically verified by the management during the year and in our opinion the frequency is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) During the year, in our opinion, substantial part of fixed assets has not been disposed off by the company.
- (ii) (a) The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) In our opinion and according to information and explanations given to us, the company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt in the books of accounts.
- (iii) (a) The company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act 1956. Accordingly, sub clauses (b), (c) and (d) are not applicable.
- (b) The company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act 1956. Accordingly, sub clauses (f) and (g) are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control Systems commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with