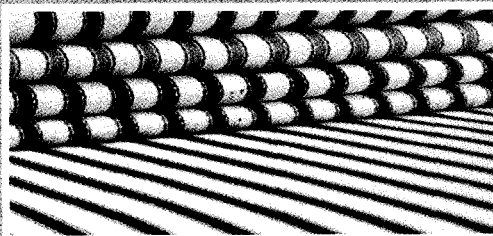


# ARVIND PRODUCTS LIMITED

ANNUAL REPORT  
2006-2007  
(Abridged)





**Directors :**

Mr. Anang A. Lalbhai  
 Mr. Samveg A. Lalbhai  
 Mr. Naishadh I. Parikh  
 Mr. Shreyas C. Sheth  
 Mr. Vinod D. Modha  
 Mr. Kantilal I. Patel  
 Mr. Mahendra G. Lodha

Managing Director

**Company Secretary :**

Mr. Prakash B. Makwana

**Bankers :**

Bank of Baroda  
 State Bank of India

**Registered Office :**

Arvind Mills Premises,  
 Naroda Road,  
 Ahmedabad - 380 025.

**Auditors :**

Sorab S. Engineer & Co.  
 Chartered Accountants  
 381, Dr. D. Naoraji Road,  
 Fort, Mumbai - 400 023.

**Registrars and Transfer Agents :**

Pinnacle Shares Registry Pvt. Ltd.  
 Near Asoka Mills,  
 Naroda Road,  
 Ahmedabad - 380 025.

**CONTENTS**

<b>Notice .....</b>	<b>1</b>
<b>Directors' Report .....</b>	<b>3</b>
<b>Corporate Governance Report .....</b>	<b>4</b>
<b>Management Discussion and Analysis .....</b>	<b>15</b>
<b>Auditors' Report .....</b>	<b>17</b>
<b>Abridged Balance Sheet &amp; Profit &amp; Loss Account .</b>	<b>19</b>
<b>Abridged Cash Flow Statement .....</b>	<b>20</b>
<b>Notes forming part of Abridged Accounts .....</b>	<b>21</b>
<b>Balance Sheet Abstract &amp; Company's General Profile .....</b>	<b>24</b>

Report Junction.com



**Arvind N. Lalbhai**

April 3, 1918 - August 3, 2007

## “Leaving behind the Legacy of a leadership and human values”

Mr Arvind Narottam Lalbhai, Chairman and Managing Director of Arvind Products Ltd., India's visionary industrialist passed away on 3 August 2007 at the age of eighty-nine. Born on 3 April 1918, Mr Lalbhai led the Lalbhai Group to new heights.

His passing away has created a void that is difficult to fill and he left a legacy that is impossible to forget. A visionary, Doyen of Indian textile Industry, Institution builder, an avid philanthropist, a man of multiple description, Arvind Lalbhai stood tall among the makers of Modern India. In the mid eighties the emergence of Power looms virtually wiped out most composite textile mills and created a crisis for the textile industry. During this difficult time he deftly steered the company, stitching up a major restructuring plan in the early nineties.

His leadership had the rare combine of tenacity, craftsmanship, of intellect and a sense of trusteeship. He presided over many national and state level trade and industry bodies. The institutions that had the benefit of his stewardship, included the Federation of Indian Chamber of Commerce and Industry (FICCI), Gujarat Chamber of Commerce and Industry. Thrice president of The Ahmedabad Textile Mills Association, he also nurtured the ATIRA (Ahmedabad Textiles and Industrial Research Association) as chairman of the governing council. He was also on the Indian Institute of Management's governing board and a member of the Ahmedabad Education Society's governing council. Arvind Lalbhai has played a significant role in the inception and rise of many institutions. These include, the Blind Men's Association, Gujarat Cancer & Research Society, Laxmipura Arogya Mandal, Aravalli Vidya Bhavan Trust, Girdharnagar Education Trust, Gujarat Law Society, L.D. Institute of Indology, just to name a few.

## ARVIND PRODUCTS LIMITED

## Notice

NOTICE is hereby given that the Annual General Meeting of the Members of the Company will be held on Saturday, the 29th September, 2007 at 9.30 a.m. at Thakorebhai Desai Hall, Near Law Garden, Ellisbridge, Ahmedabad - 380 006 to transact the following Business :

**ORDINARY BUSINESS :**

- (1) To receive, consider and adopt the Audited Profit & Loss Account for the financial year ended on 31st March, 2007 and Balance Sheet as at that date and the Report of the Board of Directors and the Auditors thereon.
- (2) To appoint a Director in place of Mr. Samveg A. Lalbhai, who retires by rotation in terms of Article 135 of the Articles of Association of the Company, and being eligible, offers himself for reappointment.
- (3) To appoint a Director in place of Mr. Naishadh I. Parikh, who retires by rotation in terms of Article 135 of the Articles of Association of the Company, and being eligible, offers himself for reappointment.
- (4) To appoint a Director in place of Mr. Shreyas C. Sheth, who retires by rotation in terms of Article 135 of the Articles of Association of the Company, and being eligible, offers himself for reappointment.
- (5) To appoint Auditors and to fix their remuneration.

**SPECIAL BUSINESS :**

- (6) To consider and if thought fit to pass with or without modifications, the following resolution as a Special Resolution :

"RESOLVED THAT, pursuant to the provisions of the Clauses 4,5,6 and other applicable provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 (hereinafter referred to as the "Delisting Guidelines") and subject to the provisions of the Companies Act, 1956, and Securities Contracts (Regulation) Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force) and the Rules framed thereunder, Listing Agreements and all other applicable laws, rules, regulations and guidelines and subject to such approvals, consents, permissions or sanctions of the Securities and Exchange Board of India, Stock Exchanges where the Equity Shares of the Company are listed and any other appropriate authorities, institutions or regulators as may be necessary and subject to such conditions and modifications, as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this Resolution), the consent of the Company be and is hereby accorded to the Board to delist the Equity Shares of the Company, which shall be voluntary in nature and without giving the exit opportunity to the investors, from all or any of : The Delhi Stock Exchange Association Ltd., The Calcutta Stock Exchange Association Ltd. and Bangalore Stock Exchange Limited (hereinafter referred to as "the said Stock Exchanges") at such time as the Board may decide."

"FURTHER RESOLVED THAT, the Board of the Company be and is hereby authorised to seek voluntary delisting of the Company's equity shares from the said Stock Exchanges and take all necessary steps in this regard and to do all such acts, deeds, matters and things as it

may in its absolute discretion deem necessary, proper and desirable and to settle all questions, difficulties, doubts that may arise in regard to delisting of the Equity Shares without being required to seek any further approval of the members or otherwise to the end intent that the members shall be deemed to have given their approval expressly by the authority of this resolution."

"FURTHER RESOLVED THAT the Board be and is hereby authorised to execute all such deeds, documents, writings, as may be necessary, desirable or expedient and to take all necessary steps in this regard in order to comply with the legal and procedural formalities and further to authorize any of its Committees or any of its Directors or any of the Officers of the Company to give effect to the aforesaid resolution."

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

By Order of the Board

**Registered Office :**

Arvind Mills Premises,  
Naroda Road,  
Ahmedabad - 380 025

**Anang A. Lalbhai**  
Managing Director

24th April, 2007

**NOTES :**

- (1) Members are requested to notify promptly any change in their address to our Registrars viz. Pinnacle Shares Registry Pvt. Limited, Nr. Asoka Mills, Naroda Road, Ahmedabad - 380 025. Any other correspondence relating to Shares may also please be addressed to the said Registrars.
- (2) The Register of Members and Share Transfer Books of the Company will remain closed from Monday the 17th September, 2007 to Saturday the 29th September, 2007 (Both days inclusive).
- (3) Members are requested to bring their copies of the Annual Report to the Meeting.
- (4) The Members/Proxies should bring the Attendance Slip sent herewith duly filled in for attending the Meeting.
- (5) Proxies in order to be effective must be received at the Company's Registered Office not less than 48 hours before the commencement of the Meeting.
- (6) Pursuant to Section 205C of the Companies Act, 1956 all unclaimed dividends upto the financial year ended 31st March, 1998 have been transferred to the Investor Education and Protection Fund of the Central Government. Company has not declared any dividend for the year 1998-99 and onwards.
- (7) Documents referred to in the Explanatory Statement attached hereto are available for inspection by the shareholders at the Registered Office of the Company during business hours on any working day.
- (8) Requisition of information on accounts and operations of the Company, if any, may please be sent to the Company seven days in advance of the Meeting so that the information may be readily available at the Meeting.

## EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

### Item No. 6

The Securities and Exchange Board of India (SEBI) has issued the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 (hereinafter referred to as the "Delisting Guidelines") incorporating, among others, provisions for delisting of securities of a body corporate voluntarily by a promoter or an acquirer or any person other than the Stock Exchanges.

The Equity Shares of the Company are presently listed on the following Stock Exchanges in India:

- (i) Ahmedabad Stock Exchange Limited (Regional Stock Exchange, ASE)
- (ii) Bombay Stock Exchange Limited (BSE)
- (iii) The Calcutta Stock Exchange Association Limited (CSE)
- (iv) The Delhi Stock Exchange Association Limited (DSE)
- (v) Bangalore Stock Exchange Limited (BgSE)

As the provisions of Regional Stock Exchange is withdrawn, Company can delist its Equity Shares from the Ahmedabad Stock Exchange Limited also. With the extensive networking of BSE, as also the extension of BSE terminals to other cities as well, investors have access to on-line dealings in Equity Shares of the Company across the country. The bulk of the trading in the Company's Equity Shares takes place on the BSE which has nationwide trading terminals. It has been observed that trading volumes at the CSE, DSE and BgSE (hereinafter referred to as "the said Stock Exchanges") are negligible and the listing fees paid to the said Stock Exchanges are disproportionate to the accrued benefits to the Company/ its investors by continuing the listing of the Equity Shares on the said Stock Exchanges in the changed scenario of the nationwide trading terminals set up by BSE. The compliances, reporting and approvals under the Listing Agreements gets multiplied and because of these multiple requirements to be complied with for each Stock Exchange separately, some of the Corporate Actions get delayed. The shareholders of the Company do not get any additional benefit by continuing the listing of the

Equity Shares on the said Stock Exchanges. The continued listing on the said Stock Exchanges is, therefore, not considered necessary. The proposed delisting from the said Stock Exchanges would further contribute to the reduction in administrative costs/efforts of the Company. Moreover the Company's Equity Shares are one of the scrips, which the Securities and Exchange Board of India (SEBI) has specified for settlement only in dematerialised form by all investors. Accordingly, there is no physical movement of share certificates in transactions taking place on the Stock Exchanges.

As per the Delisting Guidelines, the Company can delist its shares from the said Stock Exchanges with the approval of Members by passing a Special Resolution, without providing an exit opportunity, provided that the shares will continue to be listed on a stock exchange having nationwide trading terminals. There is no compulsion for companies to remain listed on any Stock Exchange merely because it is a regional Stock Exchange. Accordingly, members' approval is being sought by a Special Resolution to enable the Board for voluntary delisting of its securities from the said Stock Exchanges as and when decided.

The proposed delisting of the Company's Equity Shares from the said Stock Exchanges, as and when it takes place, will not therefore adversely affect any investor as the Company's Equity Shares will continue to be listed on ASE and BSE. The delisting will take effect after all approvals, permissions and sanctions are received.

None of the Directors of the Company is, in any way, concerned or interested in the said Resolution.

By Order of the Board

**Registered Office :**  
Arvind Mills Premises,  
Naroda Road,  
Ahmedabad - 380 025

**Anang A. Lalbhai**  
Managing Director

24th April, 2007

## Directors' Report

### To the Members,

Your Directors are pleased to present the Annual Report alongwith the Audited Financial Statements for the period from April 1, 2006 to March 31, 2007.

### 1. FINANCIAL RESULTS :

The highlights of the financial results are :

	Rs. in lacs	
	2006-2007	2005-2006
Turnover and other income	45038.81	39190.04
Profit/(Loss) before depreciation, interest and taxation	6355.88	5005.61
Less: Interest & Finance Cost (Net)	2125.95	2348.48
Less: Depreciation	3496.87	3379.48
Profit/(Loss) before tax	733.06	(722.35)
Fringe Benefit Tax	20.28	11.88
Profit/(Loss) for the year	712.78	(734.23)
Balance as per last year's Balance Sheet	(5240.49)	(4506.26)
Balance carried to Balance Sheet	(4527.71)	(5240.49)

### 2. OPERATIONS :

Sales and Operating Income for the year ended 31st March, 2007 is Rs. 44739.32 lacs (Previous year Rs. 38988.76 lacs). Operating Profit (EBIDTA) for the year is Rs. 6355.88 lacs (Previous year Rs. 5005.61 lacs).

The Company's net Profit for the year is Rs.712.78 lacs (Previous year net loss Rs. 734.23 lacs). Interest & Finance Charges are Rs. 2125.95 lacs (Previous year Rs. 2348.48 lacs) and Depreciation was Rs. 3496.87 lacs (Previous year Rs.3379.48 lacs). The Company has made a Cash Profit of Rs. 4229.93 lacs for the year (Previous year Rs. 2657.13 lacs).

The Bottomweights Division is the highest revenue earner for the Company which contributes 53% to the total revenue aggregating to Rs.23831.23 lacs. The Company has continued its efforts to increase the exports with differentiated product-mix and is adding to its list of customers internationally established brands and improving the customer-mix.

Arvind Intex and Arvind Cotspin are Divisions, manufacturing yarn, which is largely supplied to The Arvind Mills, Parent Company to meet their requirements of yarn. The revenue for the year of Arvind Intex is Rs. 3742.69 lacs, contributing 8% to the total revenue of our Company and that of Arvind Cotspin is Rs.3257.41 lacs at 7% of Company's revenue.

Ankur Textiles, a composite mill another Division of the Company manufactures Voiles, has a share of 31% at Rs.13946.96 lacs in the total revenue of the Company.

Garment Division has earned revenue of Rs. 240.89 lacs forming 1% to total revenue of the Company.

### 3. DIVIDENDS :

Your Directors do not recommend dividend on Preference Shares or Equity Shares for the period under review, considering carried forward losses of the Company.

### 4. DIRECTORS :

Mr. Samveg A. Lalbhai, Mr. Naishadh I. Parikh and Mr. Shreyas C. Sheth, the Directors of the Company retire by rotation at the ensuing Annual General Meeting and they, being eligible, offer themselves for re-appointment.

### 5. CORPORATE GOVERNANCE

Your Company is committed to the tenets of good Corporate Governance and has taken adequate steps to ensure that the requirements of Corporate

Governance as laid down in Clause 49 of the Listing Agreement are complied with.

A separate report on Corporate Governance and a Management Discussion and Analysis Report are being published as a part of the Annual Report of the Company.

The Auditors of the Company have certified that conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement are complied by the Company and their Certificate is annexed to the Report on Corporate Governance.

### 6. RESPONSIBILITY STATEMENT :-

The Directors confirm that :

1. In the preparation of the annual accounts, the applicable accounting standards have been followed. There are no material departures from the applicable accounting standards.
2. Such accounting policies have been selected and applied consistently and such judgements and estimates have been made as 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 profit of the Company for the year.
3. Proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. The attached statements of accounts for the period ended on 31st March, 2007 have been prepared on a going concern basis.

### 7. INFORMATION REGARDING CONSERVATION OF ENERGY ETC. AND EMPLOYEES :

Information required under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and under Section 217(2A) of the Companies Act, 1956 read with Companies [Particulars of Employees] Rules, 1975, as amended from time to time, form part of this report. However, as per the provisions of Section 219(1)(b)(iv), the report and accounts are being sent to all shareholders of the Company excluding the information relating to conservation of energy, technology absorption and foreign exchange earning and outgo and the statement of particulars of employees. Any shareholder interested in obtaining such particulars may inspect the same at the Registered Office of the Company or write to the Secretary for a copy.

### 8. AUDITORS :

The Auditors, Sorab S. Engineer & Co., Chartered Accountants, retire and offer themselves for reappointment. It is proposed that Sorab S. Engineer & Co., Chartered Accountants, be reappointed as Auditors of the Company. You are requested to appoint the Auditors and fix their remuneration.

The specific notes forming part of the Accounts referred to in the Auditors' Report are self-explanatory and give complete information.

### 9. ACKNOWLEDGEMENT :

Your Directors would like to appreciate the efforts of the Company's employees for their continued co-operation and unstinted support extended to the Company. The support of all lenders including Financial Institutions, Commercial Banks, Overseas Banks, Vendors and buyers has also been invaluable to the Company's performance and your Directors take this opportunity to appreciate it deeply.

By Order of the Board

Place : Ahmedabad  
Date : 24th April, 2007

Naishadh I. Parikh  
Director

Anang A. Lalbhai  
Managing Director



## Directors' Report

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2. Such accounting policies have been selected and applied consistently and such judgements and estimates have been made as 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 profit of the Company for the year.
3. Proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. The attached statements of accounts for the period ended on 31st March, 2007 have been prepared on a going concern basis.

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By Order of the Board

Place : Ahmedabad  
Date : 24th April, 2007

Naishadh I. Parikh  
Director

Anang A. Lalbhai  
Managing Director



## Corporate Governance Report

### COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company's philosophy on Corporate Governance is to attain the highest levels of transparency, accountability and integrity. This objective extends, not merely to meet with statutory requirements but also to go beyond them by putting into place procedures and systems which are in accordance with best practices for governance. Corporate Governance at Arvind Products means being responsive to aspirations of all the stakeholders – customers, suppliers, lenders, employees, the shareholders and expectations of the society. The Board of Directors supports the broad principles of Corporate Governance and lays strong emphasis on its trusteeship role to align and direct the actions of the organisation to achieve its avowed objectives of transparency, accountability and integrity. Given below is the report on Corporate Governance at Arvind Products.

### BOARD OF DIRECTORS

#### Composition of the Board

The Board has 8 Directors comprising of 2 Executive Directors viz. 1 Chairman and Managing Director and 1 Managing Director and 6 Non-Executive Directors. The Non-Executive Directors include 4 Independent Directors who are leading professionals from varied fields who bring in independent judgement to the Board's discussions and deliberations.

The following is the composition of the Board as at 31st March, 2007 :

Sr. No.	Name of Director	Executive/Non-executive/ Independent in Public Ltd. Cos.	No. of Other Directorships Member/ Chairman	No. of other Board Committees of which
1	Mr. Arvind N. Lalbhai	Executive - Chairman & Managing Director	5	3 as a Chairman 1 as a Member
2	Mr. Anang A. Lalbhai	Executive-Managing Director	Nil	Nil
3	Mr. Samveg A. Lalbhai	Non-Executive	4	Nil
4	Mr. Naishadh I. Parikh	Non-Executive	8	1 as a Member
5	Mr. Shreyas C. Sheth	Non-Executive, Independent	5	1 as a Member
6	Mr. Vinod D. Modha	Non-Executive, Independent	1	Nil
7	Mr. Kantilal I. Patel	Non-Executive, Independent	1	1 as a Chairman
8	Mr. Mahendra G. Lodha	Non-Executive, Independent	9	6 as a Chairman 4 as a Member

### BOARD AGENDA

The annual calendar of Board and Committee Meetings is agreed upon at the beginning of each year. Meetings are governed by a structured Agenda and a Board member may bring up any matter for consideration of the meeting in consultation with the Chairman. Agenda papers are generally circulated to the Board members at least 4-5 working days in advance. Detailed presentations are made at the meetings on all major issues to enable the Board to take informed decisions. An indicative list of the information placed before the Board during the year is as under :

- Quarterly, Half-yearly and Annual Results
- Productwise business performance
- Capital expenditure proposals and review of their implementation.
- Minutes of meetings of Audit Committee, Committee of Directors, Remuneration Committee and Investors' Grievance Committee.
- Other relevant information pertaining to the Company including information detailed in Clause 49 of the Listing Agreement.

### MEETINGS AND ATTENDANCE

During the year, the Board of Directors met 4 times on 25th April, 2006, 25th July, 2006, 18th October, 2006 and 23rd January, 2007. The gap between two Board Meetings was within the maximum time gap of 4 months prescribed in Clause 49 of the Listing Agreement.

The Attendance of Directors at these Board Meetings and at the last Annual General Meeting was as under :

Sr. No.	Name of Director	Number of Board Meetings held during the period when the Director was on the Board	Number of Board Meetings attended	Whether present at the previous AGM
1	Mr. Arvind N. Lalbhai	4	3	No
2	Mr. Anang A. Lalbhai	4	3	Yes
3	Mr. Samveg A. Lalbhai	4	3	No
4	Mr. Naishadh I. Parikh	4	4	No
5	Mr. Shreyas C. Sheth	4	4	Yes
6	Mr. Vinod D. Modha	4	2	No
7	Mr. K. I. Patel	4	4	No
8	Mr. Mahendra G. Lodha	4	1	No

**COMMITTEE OF THE BOARD**

The Board of Directors has constituted 4 Committees of the Board, viz.

- Audit Committee
- Remuneration Committee
- Investors' Grievance Committee and
- Committee of Directors

The Board determines the terms of reference of these Committees from time to time. Meetings of these Committees are convened by the respective Committee Chairman / Company Secretary. At each Board Meeting, Minutes of these Committees are placed before the Directors for their perusal and noting.

**1. AUDIT COMMITTEE**

The Audit Committee of the Company constituted on 16th January, 2003 by the Board of Directors was reconstituted on 29th December, 2005. The Audit Committee comprises of 3 members, 2 of whom are Non-Executive Independent Directors and 1 Non-Executive Director. Mr. Vinod D. Modha, an Independent Director acts as Chairman of the Committee. The Committee members are professionals having requisite experience in the fields of Finance and Accounts, Banking and Management.

The Audit Committee met 4 times during the year. The Directors, Chief Financial Officer, representatives of Internal and Statutory Auditors are invitees to Audit Committee meetings and the Company Secretary acts as the Secretary of the Audit Committee.

**Role**

The revised terms of reference of the Audit Committee are as under:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board the appointment, reappointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment of statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
  - (a) Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
  - (b) Changes, if any, in accounting policies and practices and reasons for the same.
  - (c) Major accounting entries involving estimates based on the exercise of judgment by management.
  - (d) Significant adjustments made in the financial statements arising out of audit findings.
  - (e) Compliance with listing and other legal requirements relating to financial statements.
  - (f) Disclosure of any related party transactions.
  - (g) Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors any significant findings and follow up thereon.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
12. To review the functioning of the Whistle-blower mechanism, in case the same is existing.
13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Explanation (i) : The terms "related party transactions" shall have the same meaning as contained in the Accounting Standard 18, Related Party Transactions, issued by The Institute of Chartered Accountants of India.

Explanation (ii) : If the Company has set up an audit committee pursuant to provision of the Companies Act, the said audit committee shall have such additional functions / features as is contained in this clause.





14. Management discussion and analysis of financial condition and results of operations;
15. Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
16. Management letters / letters of internal control weaknesses issued by the statutory auditors;
17. Internal audit reports relating to internal control weaknesses;
18. The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by the Audit Committee; and
19. To look into any other matter which may be referred to it by the Board.

In addition to the above, the Committee shall have such functions/role/powers as may be specified in the Companies Act, Listing Agreement with Stock Exchanges or any other applicable law.

## MEETINGS AND ATTENDANCE

During the year, 4 Audit Committee meetings were held on 25th April, 2006, 25th July, 2006, 18th October, 2006 and 23rd January, 2007.

The Attendance of Members at meetings was as under :

Sr. No.	Name	Position	No. of Meetings held during relevant period	No. of Meetings attended
1	Mr. Vinod D. Modha	Chairman	4	2
2.	Mr. Naishadh I. Parikh	Member	4	4
3	Mr. Shreyas C. Sheth	Member	4	4

## 2. REMUNERATION COMMITTEE

The Board of Directors of the Company has constituted a Remuneration Committee on 19th November, 2002. The said Committee was reconstituted by the Board of Directors at its meeting held on 29th December, 2005. The Remuneration Committee comprises of 3 members, 2 of whom are Non-Executive Independent Directors and 1 Non-Executive Director. Mr. Shreyas C. Sheth, an Independent Director acts as Chairman of the Committee.

During the year under review, no meeting of the Remuneration Committee was held.

### Role

The terms of reference of the Remuneration Committee are as under :

1. To frame company's policies for compensation and benefits for Executive Directors.
2. To review and recommend compensation payable to the Executive Directors.
3. To administer and supervise Employee Stock Option Schemes (ESOS) including framing of policies related to ESOS and reviewing grant of ESOS.
4. To Review HR Policies and initiatives.

### Remuneration of Directors :

The Remuneration Committee recommends the payment of remuneration of Executive Directors and the Board of Directors and shareholders are approving the same. During the period under review, the Company has not paid any remuneration to its Executive Directors. The Non-Executive Directors are paid Sitting Fees of Rs. 5000/- for attending the meeting of Board of Directors or Committee thereof. The remuneration paid by way of Sitting Fees, during the period from 1st April, 2006 to 31st March, 2007 to each of the Directors is as under. The Company has not made any payment towards salaries/perquisites to any of the Directors.

Sr. No.	Name of Director	Sitting Fees (Rs.)	Total (Rs.)
1.	Mr. Arvind N. Lalbhai (CMD)	Nil	Nil
2.	Mr. Anang A. Lalbhai (MD)	Nil	Nil
3.	Mr. Samveg A. Lalbhai	55,000	55,000
4.	Mr. Naishadh I. Parikh	85,000	85,000
5.	Mr. Shreyas C. Sheth	40,000	40,000
6.	Mr. Vinod D. Modha	20,000	20,000
7.	Mr. Kantilal I. Patel	40,000	40,000
8.	Mr. Mahendra G. Lodha	5,000	5,000

## 3. INVESTORS' GRIEVANCE COMMITTEE

The Investors' Grievance Committee of the Company was constituted on 16th January, 2003 by the Board of Directors. The Committee was reconstituted on 29th December, 2005 by the Board. The Investors' Grievance Committee comprises of 3 members, 2 of whom are Non-Executive Directors and 1 Non-Executive Independent Director. Mr. Samveg A. Lalbhai, Non-Executive Director acts as Chairman of the Committee.