

21ST

ANNUAL REPORT

2006 - 2007

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EUROTEX INDUSTRIES AND EXPORTS LIMITED



EUROTEX INDUSTRIES AND EXPORTS LIMITED

100% EXPORT ORIENTED UNIT
and Government recognised Three Star Export House.

An ISO 9001 and Oko-Tex Standard 100 Certificate Holder

BOARD OF DIRECTORS

Shri Krishan Kumar Patodia

Chairman and Managing Director

Shri Hariprasad Siotia

Shri Gopal Patodia

Shri Narayan Patodia

Managing Director

Shri Rajiv Patodia

Executive Director

Shri Gurmukh J. Mirchandani

Shri A. R. Garde

Shri Dharam Paul

Shri M. D. Sohani

Shri D. K. Patel

Shri V. K. Gupta

Shri Pratap Padamshi Dundh

**EUROTEX
INDUSTRIES AND EXPORTS
LIMITED**

COMPANY SECRETARY AND COMPLIANCE OFFICER

Shri R. K. Agrawal

BANKERS

STATE BANK OF INDIA

BANK OF INDIA

AUDITORS

LODHA & COMPANY

Chartered Accountants

Mumbai.

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REGISTERED AND HEAD OFFICE

Raheja Chambers, 12th Floor,
213, Nariman Point, Mumbai - 400 021.

MILLS

E-23 & E-1, MIDC, Gokul Shirgaon,
Kolhapur - 416 234,
Maharashtra.

SHARE TRANSFER AGENT

DATAMATICS FINANCIAL SERVICES LIMITED

Plot No.A-16/17 MIDC, Part B, Cross Lane,
Marol, Andheri (East), Mumbai - 400 093.



NOTICE

NOTICE is hereby given that the 21st Annual General Meeting of the Shareholders of EUROTEX INDUSTRIES AND EXPORTS LIMITED will be held at "The Residence", An Apartment Hotel, Saki Vihar Road, before Nitie, Powai, Mumbai 400 087 on Saturday, the 29th September, 2007 at 9.30 A.M. to transact, with or without modification, as may be permissible, the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report, Auditors' Report, Audited Balance Sheet and Profit and Loss Account for the year ended 31st March, 2007.
2. To appoint a Director in place of Shri. D. K. Patel, who retires from office by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri. V. K. Gupta, who retires from office by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri. A. R. Garde, who retires from office by rotation and, being eligible, offers himself for reappointment.
5. To appoint auditors of the Company for the period commencing from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

6. **To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:**

"RESOLVED THAT in accordance with the provisions of Section 198, 269, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves of the re-appointment of Shri Rajiv Patodia as Executive Director of the Company for a period of 5 years with effect from 1st October, 2007 to 30th September, 2012 on the terms of payment of remuneration specified hereinafter:

Shri Rajiv Patodia shall be paid the following remuneration by way of Salary, Perquisites and Commission during his tenure as Executive Director:

- a. **SALARY**
Salary of Rs.75,000/- per month, with effect from 1st October, 2007.
- b. **INCENTIVE**
Incentive Allowance upto 10% of the salary as may be determined by the Board from time to time at its own discretion.
- c. **PERQUISITES AS FOLLOWS**
 - i) **Housing:** Rent free accommodation will be provided to the appointee, the perquisite value of which will be considered as per Income Tax Rules. In case no accommodation is provided by the Company, House Rent Allowance subject to a ceiling of 60% of the salary per month shall be paid. In addition,

the appointee shall be allowed Company owned furnitures and fixtures, if required.

- ii) The expenditure incurred by the appointee on gas, electricity and water shall be reimbursed by the Company.
- iii) All Medical Expenses incurred in India or abroad by the appointee for self and his family shall be reimbursed.
- iv) Leave Travel Concession for the appointee and his family will be allowed once in a year as per the rules of the Company.
- v) Fees of the clubs: Subject to a maximum of two clubs will be allowed. This will not include admission and Life Membership Fees.
- vi) Personal Accident Insurance and Mediclaim Insurance for self and his family: The premium of which shall not exceed Rs. 30,000 per annum.
- vii) Contribution to Provident Fund & Contribution to Superannuation or Annuity Fund not exceeding in total @ 25% of the salary.
- viii) Gratuity: Gratuity at the rate of one month's salary, for each completed year of service.
- ix) Free use of Company's car for Company's work as well as for personal purpose along with driver.
- x) Telephone at residence at Company's cost.
- xi) Leave unavailed of to be allowed to be encashed as per the rules of the Company.
- xii) Subject to any statutory ceiling/s, the appointee may be given any other allowances, perquisites, benefits and facilities as the Board of Directors from time to time may decide.

d. COMMISSION

In addition to Salary, Incentive and Perquisites, Shri Rajiv Patodia, Executive Director shall also be entitled to Commission, the amount of which will be determined by the Board from time to time based on the net profits of the Company subject to the ceiling stipulated in Section 198 and 309 of the Companies Act, 1956.

e. MINIMUM REMUNERATION

The above appointee shall be paid the remuneration as stated above as minimum remuneration, in the event of inadequacy of profit subject to the ceiling of minimum remuneration as stated in part II, Section II of Schedule XIII of the Companies Act, 1956 with such modifications as may be therein from time to time, being in force."

By Order of the Board

Mumbai
Date : 23rd June, 2007

R. K. Agrawal
Company Secretary
and Compliance Officer

Registered Office :

Raheja Chambers, 12th Floor,
213, Nariman Point, Mumbai - 400 021.

**EUROTEX
INDUSTRIES AND EXPORTS
LIMITED**

NOTES

- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER
- THE INSTRUMENT APPOINTING PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business for Item no. 7 is annexed hereto.
- Members holding more than one Share Certificate in the same name under different ledger folios are requested to apply for the consolidation of such folios and send the relevant Share Certificates to the Registrars, M/s. Datamatics Financial Services Ltd., Plot No. A-16/17 MIDC, Part B, Cross Lane, Marol, Andheri(East), Mumbai 400 093.
- Members are requested to notify immediately any change in their address to the Registrars at the address as mentioned above.
- The Register of Members and Transfer Books of Equity shares will closed from Tuesday 25th September 2007 to Saturday 29th September 2007 (Both Days inclusive).
- Pursuant to Section 205A of the Companies Act, 1956, all Unclaimed Dividend upto Financial Year ended 31st March, 1999 have been transferred to the General Revenue Account of the Central Government.
- Pursuant to the provisions of Section 205A (5) of the Companies Act, 1956, dividends for the financial year ended 31st March, 2000 and thereafter, which remain unpaid or unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund of the Central Government on expiry of seven years. Members who have not encashed the dividend warrant(s) so far for the financial year ended 31st March, 2000 or any subsequent financial years are requested to make their claims to the registered office of the Company. It may also be noted that once the unclaimed dividend is transferred to the Government, as above, no claims shall lie in respect of such amount against the company.
- As per the provisions of the Companies Act, 1956, facility for making nominations is available to INDIVIDUALS holding shares in the Company. The Nomination Form 2B prescribed by the Government can be obtained from the Registrars and Transfer Agents.
- Members are requested to note that the Company's equity shares are included in the SEBI specified scrips for settlement only in demat form for all investors, effective from 28th April, 2001. Members are requested to open DEMAT account in their names with a Depository participant to dematerialise their holdings. This would be necessary for facilitating the transfers of our Equity Shares in all the Stock Exchanges connected to the Depository System.
- Details of the Directors retiring by rotation and seeking re-appointment (in pursuance of Clause 49 of the Listing Agreement)

Name of Director	D. K. Patel	V. K. Gupta	A. R. Gardie
Date of Birth	20.10.1947	14.02.1943	17.08.1936
Date of Appointment	29.07.2003	29.07.2003	20.03.1998
Qualification	B.E. Chemical Engineering from IIT, Kanpur	B. TEXT and MBA from University of Virginia.	B. TEXT from Mumbai University.
Expertise in specific functional area	He was General Manager SICOM Limited and now is Financial Advisor to various Companies.	41 years association with various Textile Industries in senior level position. Presently Technical Advisor to Century Enka Limited, JCT Ltd. Filament Division and Century-Rayon	40 years in R&D in textile, 20 years of consultancy in technical and managerial areas of cotton based textiles. He was Director of ATIRA and now is advisor to Textile Industries.
List of Other Directorship held.	1. Malladi Drugs & Pharmaceuticals Limited. 2. Godavari Drugs Limited 3. Polyset Plastics Pvt. Ltd.	Nil	Nil
Chairman/Member of the Committees of the Board of Directors of the Company.	None	Audit Committee Member	None
Chairman/Member of the Committee(s) of Board of Directors of other Companies in which he is a Director.	Malladi Drugs & Pharmaceuticals Ltd. - Remuneration Committee Chairman Godavari Drugs Ltd. Audit Committee Chairman Shareholders & Investors Grievance Committee - Member	None	None

SHAREHOLDER INFORMATION

The Company's securities are listed at the following Stock Exchanges :

- The Stock Exchange, Mumbai
1st Floor, New Trading Ring,
Rotunda Building,
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort, Mumbai 400 001.
- National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Plot No. C/1, G-Block,
Bandra-Kurla Complex,
Bandra (E), Mumbai 400 051.

The Company has paid Annual Listing fees to each of the above Stock Exchanges for the Financial Year 2007-2008.

By Order of the Board

Mumbai
Date : 23rd June, 2007

Registered Office :

Raheja Chambers, 12th Floor.
213, Nariman Point, Mumbai - 400 021.

R. K. Agrawal
Company Secretary
and Compliance Officer

**EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956.
ITEM NO. 6**

Shri Rajiv Patodia's tenure as Executive Director is coming to an end on 30th September, 2007. The Remuneration Committee in its meeting held on 23rd June 2007 and also the Board of Directors in its Meeting held on 23rd June 2007, have approved the re-appointment of Shri Rajiv Patodia as Executive Director for a period of five years from 1st October 2007 upto 30th September 2012. They have also approved the revision in the remuneration payable to Shri Rajiv Patodia. The details of remuneration proposed to be paid to Shri Rajiv Patodia from 1st October, 2007 onwards are listed in the Resolution.

Board of Directors commends the Resolution for approval by Shareholders.

None of the directors, except Shri Rajiv Patodia himself and Shri K. K. Patodia, are concerned or interested in the resolution.

By Order of the Board

Mumbai
Date : 23rd June, 2007

R. K. Agrawal
Company Secretary
and Compliance Officer



DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting their 21st Annual Report on the affairs of the Company together with the Audited Statement of Accounts for the year ended 31st March, 2007.

	2006-07 (Rs. in lacs)	2005-06 (Rs. in lacs)
FINANCIAL RESULTS		
Profit before Interest, Depreciation and Tax	1934.87	2062.31
Less: Interest and Finance Charges	806.78	758.46
Profit before Depreciation	1128.09	1303.85
Less: Depreciation	866.16	815.51
Profit Before Tax	261.93	488.34
Less: Provision for Income Tax	29.00	90.50
Less: Fringe Benefit Tax	9.52	12.64
Less: Deferred Tax	131.39	67.24
Add: MAT Set Off	29.00	-
Profit for the year	121.02	317.96
Balance brought forward for previous year	1151.89	893.80
Less: Deferred Tax liabilities relate to earlier years	-	-
Profit available for Appropriation	1272.91	1211.76
Less: Proposed Dividend on Equity Shares	-	52.50
Less: Corporate Dividend Tax	-	7.36
Balance Carried to Balance Sheet	1272.91	1151.90

OPERATIONS

During the year the Company's turnover has increased from Rs.151.29 crores to Rs.165.20 Crores netting a 9.20 % increase from the last year. The Company's net profit after tax has decreased from Rs. 3.18 crores to Rs.1.21 crores. The reason for decline in profitability is the high power cost and increase in interest cost with no corresponding increase in the selling price.

Due to inadequacy of profits this year, your Directors have decided to conserve the resources of the Company and not to recommend any dividend for the Financial Year 2006-07.

During the year the Company has partly implemented the modernization project under the TUFs scheme. For this purpose the Company has been sanctioned a term loan under TUFs scheme of Govt. of India.

AWARDS

Your Directors are extremely happy to inform you that your Company has been conferred the highest performance Export Award for the year 2004-05 by the Export Promotion Council for EOUs and SEZ in the

'Non-SSI' Textile Category. The award was received from the hands of Shri Kamal Nath, Hon'ble Minister for Commerce and Industry.

REPORT ON CORPORATE GOVERNANCE, MANAGEMENT DISCUSSION AND ANALYSIS.

The Audit Committee constituted by the Board has been functioning over the last six years. The Committee renders valuable advice to the Board on several issues particularly on Internal Controls, Accounting Policies and Corporate Governance norms. The Board of Directors appointed Shri Dharam Paul as Chairman of the Audit Committee.

Similarly, the Shareholders / Investors Grievance Committee met regularly throughout the year and overruled the operations of the Share Transfer Registrars, Response to Investor Grievances, progress of dematerialisation and other matters.

The Company has complied with clause 49 of the Listing Agreement pursuant to SEBI guidelines. Accordingly, reports on corporate governance and Management Discussion and Analysis are enclosed and form part of this Report.

INDUSTRIAL RELATIONS

The Company continued its endeavor in maintaining peace and harmony at all levels of employment in the Organisation in the year under review.

PARTICULARS OF EMPLOYEES, CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Information relating to the conservation of Energy, Technology absorption and Foreign Exchange Earnings and Outgo required under Section 217(1) (e) of the Companies Act, 1956, is set out in a separate statement attached to this report and forms part of it.

The particulars of employees, as required under section 217(2A) of the Companies Act, 1956, are given in a separate statement attached to this report and form part of it.

DIRECTORS

The term of appointment of Shri Rajiv Patodia, Executive Director of the Company is coming to an end on 30th September, 2007, The Resolution proposing to re-appoint Shri Rajiv Patodia as Executive Director and for fixation of terms of appointment for a further period of five years from 1st October, 2007 has been passed by the Remuneration Committee. The Board of Directors now proposes the same for the approval of shareholders.

In terms of the provisions of the Companies Act, 1956 and Article 104 of the Articles of Association of the Company, Shri D.K. Patel, Shri V.K. Gupta and Shri A.R. Garde retire from office by rotation and, being eligible, offer themselves for re-appointment.

Appropriate resolutions for the reappointment of the aforesaid Directors are being moved at the ensuing Annual General Meeting which the Board commends for your approval.

**EUROTEX
INDUSTRIES AND EXPORTS
LIMITED**

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956 the Directors confirm that:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed;
2. appropriate accounting policy have been selected and applied consistently, and have 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 as at March 31, 2007 and of the profit of the Company for the period April 1, 2006 to March 31, 2007;
3. proper and sufficient care has 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;
4. the annual accounts have been prepared on a going concern basis.

AUDITORS

M/s. Lodha & Co., the statutory auditors of the company, will retire at the forthcoming Annual General Meeting of the company and, being eligible, offer themselves for re-appointment.

Your Directors request the Shareholders to appoint Statutory Auditors for the current year.

COST AUDITORS

Pursuant to a directive of the Central Government, the Company is required to conduct a Cost Audit in respect of its manufacturing operations every year. Accordingly, M/S A.G. Anikhindi & Co., qualified cost auditors have been appointed to carry out audit of the cost accounts maintained by the Company for the year ended 31st March, 2008.

INSURANCE

The Company has taken comprehensive risk cover to insure all the properties of the Company. There was a major fire in April 2006 in one of the godowns storing cotton. The claim has been settled by the insurance company and the Company has received the insurance claim amount.

ACKNOWLEDGEMENT

Your Directors express their warm appreciation to all the employees for their diligence and contribution. Your Directors also wish to place on record their appreciation for the support and cooperation received from Development Commissioner SEEPZ and all the bankers. Their utmost co-operation and assistance has resulted in smooth conduct of the business of the Company.

On behalf of the Board

Mumbai
Dated : 23rd June, 2007

K. K. PATODIA
Chairman

ANNEXURE "A" TO THE DIRECTORS' REPORT

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

(A) CONSERVATION OF ENERGY :

(a) Energy Conservation Measures Taken:

The Company has been taking continuous steps to conserve the energy and minimise energy cost at all levels. Company is installing latest energy efficient equipments and motors in place of old ones to reduce energy consumption. The Company has taken the assistance of an expert team of SITRA, Coimbatore for energy conservation.

(b) Additional Investments and Proposal, if any, being implemented for reduction of consumption of energy:

The Company as a policy takes necessary steps for investments in energy saving devices wherever applicable. The Company has made arrangements to conduct a comprehensive Energy Audit for the entire plant from a professional organization with a view to improve performance and optimize consumption of energy.

(c) Impact of measures at (a) and (b) for reduction of energy consumption and consequent impact on the cost of production of goods:

With the above measures taken, the Company derives better and optimum performance of equipment which results in reduced energy consumption.

(d) Total energy consumption and consumption per unit of production in the prescribed Form "A" attached.

(B) TECHNOLOGY ABSORPTION:

(e) Efforts made in technology absorption :

Details are provided in Form "B" annexed hereto.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

(f) 1) Activity relating to Exports:

The Company is engaged in Raw cotton, Yarn and Fabric Exports.

2) Initiative taken to increase Exports:

The Company regularly explores possibility of developing new qualities to help increase its exports and find new buyers of high quality Yarns and Fabrics.

3) Development of new export markets for products and services:

The Company keeps a close association with its traditional as well as new buyers and explores the possibility of finding new export markets.

4) Export Plan:

The Company's order books are full at present.

(g) Total Foreign Exchange used and earned:

	(Rs. in Lacs)
i) CIF Value of Imports	596.46
ii) Expenditure in Foreign Currency	231.02
iii) Foreign Exchange Earned	10,635.59

On behalf of the Board

Mumbai
Dated : 23rd June, 2007

K. K. PATODIA
Chairman



ANNEXURE "A" TO THE DIRECTORS' REPORT (Contd.)

REPORT ON CONSERVATION OF ENERGY ETC., Forming part of the Directors' Report

FORM A

Form for Disclosure of Particulars with respect to Conservation of Energy

	Production Unit	Current Year	Previous Year
A) POWER AND FUEL CONSUMPTION			
1) Electricity			
a) Purchased Units		3,46,25,850	1,29,25,830
Total Amount (Rs.)		13,45,82,581	4,73,14,972
Rate/Unit (Rs.)		3.89	3.66
b) Own Generation			
i) Through Diesel Generator Units		1,76,07,890	3,82,91,370
Units per LTR. of Diesel/Furnace Oil		3.70	4.02
Cost/Unit (Rs.)		4.87	3.90
ii) Through Steam Turbine/Generator Units		-	-
Units per LTR. of Fuel Oil/gas		-	-
Cost/Unit (Rs.)		-	-
2) Coal			
Quantity (in tonnes)		-	-
Total Cost		-	-
Average Rate (Rs.)		-	-
3) Furnace Oil/L.S.H.S.			
Quantity (in K. Ltrs.)		-	-
Total Amount		-	-
Average Rate		-	-
4) Others/Internal			
Generation		-	-
Quantity		-	-
Total Cost		-	-
Rate/Unit		-	-
B) CONSUMPTION PER UNIT OF PRODUCTION			
	Per Kg.		
1) Electricity (KWH)			
Yarn		6.55	6.43
2) Furnace Oil/L.S.H.S.		-	-
3) Coal (M.T.)		-	-
4) Others		-	-

On behalf of the Board

Mumbai
Dated : 23rd June, 2007

K. K. PATODIA
Chairman

FORM B

Form for Disclosure of Particulars with respect to Technology Absorption

RESEARCH AND DEVELOPMENT (R & D)

1) Specific areas in which R & D carried out by the Company:

R & D activities are being carried out continuously to produce a good quality of Yarns and Fabrics for export.

2) Benefits derived as a result of the above R & D:

With the result of the R & D activity carried out, the Company has been able to produce quality Yarns and Fabrics to international standards.

3) Future Plan of Action:

The Company continues its efforts to maximise its productivity and also at the same time enhance quality of its products.

4) Expenditure on R & D:

Expenditure on R & D has been shown under respective heads of expenditure in the Profit and Loss Account as no separate account is maintained.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1) Efforts, in brief, made towards technology absorption and innovation:

The Company has not utilised any imported technology.

2) Benefit derived as a result of the above efforts:

N.A.

3) Details about import of technology during the last 5 years:

N.A.

On behalf of the Board

Mumbai
Dated : 23rd June, 2007

K. K. PATODIA
Chairman

ANNEXURE "B" TO THE DIRECTORS' REPORT

PARTICULARS OF EMPLOYEES - THE INFORMATION REQUIRED UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956 FOR THE EMPLOYEES OF THE COMPANY IS AS UNDER:

Sr. No.	Name	Designation/ Nature of Duties	Age (Years)	Remuneration received (Rs.)	Qualification	Experience (Years)	Date of Joining	Previous Service before this and designation
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A) Employees who worked throughout the accounting year and whose remuneration aggregating Rs.24 lacs or more per year:

1.	Shri K. K. Patodia	Chairman and Managing Director	62	37,33,819	B.Sc.Textiles (Hons.)	42	1st Oct. 1988	PBM Polytex Ltd. Managing Director
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B) Employees who worked during part of the year and whose remuneration is not less than Rs. 2 Lacs or more per month

NIL

On behalf of the Board

Mumbai
Dated : 23rd June, 2007

K. K. PATODIA
Chairman

**EUROTEX
INDUSTRIES AND EXPORTS
LIMITED**

Declaration regarding compliance with the code of conduct and ethics policy of the Company by Board members and senior management personnel

This is to conform that the Company has adopted Code of Conduct and Ethics Policy for the Board of Directors and Associates of the Company, which is available at www.eurotexgroup.com.

personnel have affirmed compliance with the Code of Conduct and Ethics policy of the Company.

K. K. PATODIA

Chairman

and Managing Director

I declare that the Board of Directors and senior management

Mumbai

Dated : 23rd June, 2007

CHIEF EXECUTIVE OFFICER CERTIFICATION

To,

The Board of Directors
Eurotex Industries And Exports Limited

I, the undersigned, in my capacity as Chief Executive Officer of Eurotex Industries And Exports Limited ("the Company"), to the best of my knowledge and belief certify that:

(a) I have reviewed financial statements and the cash flow statement for the year ended 31st March, 2007 and to the best of my knowledge and belief, state that:

- (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

(b) I further state that, to the best of my knowledge and belief, there are no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct as adopted by the Company.

(c) I am responsible for establishing and maintaining internal controls for financial reporting and I have evaluated the

effectiveness of internal control systems of the company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which I am aware and the steps I have taken or propose to take to rectify these deficiencies.

(d) I have indicated, based on my most recent evaluation, wherever applicable, to the Auditors and the Audit Committee

- (i) significant changes, if any, in the internal control over financial reporting during the year;
- (ii) significant changes, if any, in the accounting policies made during the year and that the same has been disclosed in the notes to the financial statements; and
- (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

K. K. PATODIA

Chairman

and Managing Director

Mumbai

Dated : 23rd June, 2007

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

a) Industry Structure and Development:

The Company is having 100% export oriented cotton spinning and knitted fabrics manufacturing unit. Textile is the oldest and most important industry with a high employment potential. The textile industry provides jobs for semi-skilled and unskilled labourers, women in particular, on a large scale in the country. Currently, the textile and clothing industry provides direct employment to about 3.5 crore people while engaging another 5 crore people in allied activities.

Eurotex has a state of art modern spinning mills manufacturing and exporting the cotton yarn all over the world.

b) Opportunities and Threats:

In the post quota regime, the Indian textile exporters have got very good opportunity for increasing their export of cotton yarn and value added products. Due to very good demand from domestic export oriented garment manufacturers, the cotton yarn manufacturers have got good opportunities in local markets also.

At the same time the Indian textile industry is facing threat from other textile exporting countries due to high power cost and rigid labour laws in our country.

The Company is experiencing pressure on margins due to severe competition from other low cost countries and stronger Indian Rupee vis-a-vis the US Dollar. There is also pressure from rising manpower costs. The high inflationary pressures and rising interest costs are also affecting the profitability by increasing the operating costs.

c) Segment or productwise performance:

The Company operates primarily in one business segment viz cotton yarn and knitted fabric and has its production facilities and assets located in India. Hence segment-wise or product-wise performance is not given.

d) Outlook, Risks and Concern:

The Company has invested substantially in modernization

and upgradation of its production facilities and the Company is poised to take maximum advantage of demand of quality goods in post quota regime.

The exchange rate fluctuations and power cost increase due to increase in oil prices and state grid power rates are the risks and the matter of concern and may adversely affect its profitability.

e) Internal control systems and their adequacy:

The Company has got adequate internal control systems commensurate with its size in all the departments.

f) Financial performance with respect to operational performance:

The financial and operational performances are already elaborated in the Directors' Report.

g) Development in Human Resources / Industrial Relations Front:

The Company continued its endeavour in maintaining peace and harmony at all levels of employment in the organization in the year under review.

h) Cautionary Statement

The statement in this report may be forward looking within the meaning of applicable laws or regulations. These statements are made on certain assumptions and expectations of future events. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include raw material availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the Countries in which the Company conducts business and other incidental factors.

The Company and its Board of Directors assume no responsibility in respect of the forward looking statements herein which may undergo changes in future on the basis of subsequent developments, information or events.



CORPORATE GOVERNANCE REPORT

1. PHILOSOPHY OF COMPANY ON CODE OF GOVERNANCE

The Company believes in highest standards of corporate governance and has put in place the systems to comply with all the rules, regulations and requirements mentioned in clause 49 of Listing Agreement. For us effective corporate governance is about commitment to values and ethical business conduct which alone can guarantee the business success in the long run.

We understand that Corporate Governance is a continuous journey and not a destination. The Company endeavors to achieve transparency, accountability, integrity and responsibility and continues to focus on good corporate governance.

Corporate Ethics:

The Company adheres to the highest standards of business ethics, compliance with statutory and legal requirements and commitment to transparency in business dealings.

a. Code of Conduct for Board Members and Senior Management:

The Board of Directors has adopted the Code of Conduct for its members and senior management. The Board highlights Corporate Governance as the cornerstone for sustained management performance, for serving all the stakeholders and for instilling pride in its business dealings.

The Code is applicable to all the directors and specified senior management executives. The Code impresses upon directors and senior management executives to uphold the interest of the company and its stakeholders and endeavor to fulfill all the fiduciary obligations towards them. The Code also mandates that directors and senior management executives would uphold highest standards of integrity, honesty and ethical conduct and fairness in their dealings and shall exercise utmost good faith, due care and integrity in performing their duties. The Code of Conduct is posted at the company's website at www.eurotexgroup.com.

b. Code of Conduct for prevention of Insider Trading:

The Company has adopted a Code of Conduct for Prevention of Insider Trading for its directors and senior management personnel. The Code lays down the guidelines and procedures to be followed, disclosures to be made while dealing with shares in the Company. The Company Secretary has been appointed as the Compliance Officer and is responsible for adherence to the Code.

2. BOARD OF DIRECTORS

The business of the Company is managed by the Board of Directors. The Board formulates the strategy, regularly reviews the performance of the Company and ensures that the previously agreed objectives are met on a consistent basis. Board is headed by an Executive Chairman. The Managing Directors and the Executive Director manage the day to day operations of the Company.

The Board of Directors comprises of three Executive Directors and nine Non-Executive Directors. Six of the Directors are independent Directors.

Name of the Director

Shri Krishan Kumar Patodia
Shri Narayan Patodia
Shri Rajiv Patodia

Position

Chairman and Managing Director
Managing Director
Executive Director

Non Executive

Shri H. P. Siotia
Shri Gopal Patodia
Shri Gurmukh J. Mirchandani

Non-Executive & Independent

Shri A. R. Garde
Shri Dharam Paul
Shri M. D. Sohani
Shri Pratap Padamshi Dundh
Shri D. K. Patel
Shri V. K. Gupta

Total No. of Directors = 12

A. Board Procedure

Board members are given appropriate documents and information in advance of each Board and Committee meeting. To enable the Board to discharge its responsibilities effectively, the Managing Directors review the Company's overall performance. The functions performed by the Board includes, in addition to the legal matters compulsorily required to be performed by it, review of:

- Strategy and business plans
- Annual operating and capital expenditure budgets
- Investment and exposure limits
- Compliance with statutory/regulatory requirements and review of major legal issues
- Approval of quarterly results/annual results
- Review of the minutes of the Audit Committee, Shareholders and Investors Grievance Committee and other Board Committees.
- Matters relating to Foreign Exchange Exposure.

B. Board Meetings and Attendance

During the Financial Year 2006-07, five Board meetings were held on 12th May, 2006; 24th June, 2006; 29th July, 2006; 28th October, 2006 and on 31st January, 2007. The maximum time gap between any two meetings was not more than three calendar months. Details of attendance at the Board Meetings, Directorship in other Companies and Membership in Committees thereof of each Director are as follows:

Name of Director	Attendance at the Board Meeting	Attendance at last AGM	Directorship of other Companies	Committee Memberships *Mem-ber *Chairman
Shri K. K. Patodia Chairman & Managing Director	5	No	10	1 1
Shri H. P. Siotia	5	Yes	6	3 1
Shri Gopal Patodia	-	No	6	1 0
Shri Narayan Patodia Managing Director	2	No	4	1 0
Shri Rajiv Patodia Executive Director	3	Yes	4	0 0
Shri G.J. Mirchandani	4	Yes	-	2 0
Shri A. R. Garde	4	No	-	0 0
Shri Dharam Paul	3	Yes	1	2 2
Shri M. D. Sohani	4	No	-	1 0
Shri Dilip K. Patel	3	Yes	3	1 2
Shri Vinod K. Gupta	3	No	-	1 0
Shri Pratap Padamshi Dundh	3	No	2	0 0

3. AUDIT COMMITTEE

Board of Directors has formed an Audit Committee which has the following powers:

- To investigate into any matter referred to it by the Board and for that purpose to have full access to the information contained in the records of the Company and external professional advice, if necessary.
- To investigate any activity within its terms of reference.
- 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 creditable.
- To recommend the appointment and removal of external auditor, fixation of audit fee and also approval for payment of any other services.
- Reviewing with management the annual financial statements before submission to the Board.