

S. Uni-Socks (India) Ltd.

12th ANNUAL REPORT 2005-2006

UNI-SOCKS (INDIA) LTD.

**Flat No. 202, Patels Avenue, Road No. 11,
Banjara Hills, Hyderabad - 500 034.**

Uni-Socks (India) Ltd.**BOARD OF DIRECTORS** : Shreechand Sethia - Chairman

Raghu Raj - Director

Subhash Kothari - Director

Om Joshi - Director
(IFCI Venture Fund Nominee)

Sunil Kapoor - IFCI Nominee

D.P. Kelkar - Director

Nortan Bothra - Director

Prabhat Sethia - Managing Director

REGISTERED OFFICE : 202, Patel Avenue Road,
8-2-618/2/1/1, Road No. 11,
Banjara Hills, Hyderabad - 500 034.**WORKS** : Alinagar, Chetla,
Potharam Village,
Jeenaram Mandal,
Medak Dist.**BANKERS** : State Bank of Hyderabad
Bellavista Branch,
Somajiguda, Hyderabad.**AUDITORS** : M/s Suresh & Co.,
Chartered Accountants
Hyderabad.

Uni-Socks (India) Ltd.

NOTICE

NOTICE is hereby given that the Twelfth Annual General Meeting of Members of the Company will be held on Friday the 29th September 2006 at 11.00 A.M. at its Registered Office at Flat No. 202, Patels Avenue, Road No. 11, Banjara Hills, Hyderabad-500 034 to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2006 and Audited Profit & Loss Account for the period ended on that date together with the reports of Board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Subhash Kothari who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Shri Norton Bothra who retires by rotation and being eligible offers himself for reappointment.
4. To appoint auditors and fix their remuneration

Place : Hyderabad

By Order of the Board

Dated : 30.08.2006

Sd/-

(PRABHAT SETHIA)
Managing Director

NOTES :

1. A person entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote for himself and such proxy need not be a member.
2. Proxy Form duly executed should be deposited at the Registered Office of the Company atleast FORTY EIGHT hours before the commencement of the meeting.
3. The Register of Members and Share Transfer Books shall remain closed from 25th September, 2006 to 29th September, 2006 (both days inclusive) for the purpose of Annual General Meeting.
4. 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 of the Company.

§ Uni-Socks (India) Ltd.

DIRECTOR REPORT

The Members

UNISOCKS (INDIA) LIMITED,
Hyderabad

Your Directors have pleasure in presenting the Twelfth Annual Report of your Company together with the Audited Annual Accounts for the year ended 31st March, 2006.

1. FINANCIAL RESULTS :

Particulars	(Rupees. in Lacs)	
	31.03.2006	31.03.2005
Net Sales	401.07	392.65
Increase/ Decrease in Stock	(5.5)	(4.28)
Other Income	1.24	0.59
Manufacturing/ operating Expenses	255.19	246.16
Profit before Financial Expenses & Depreciation	141.62	142.80
Interest/ Financial Costs	74.09	76.84
Depreciation	36.07	36.07
Preliminary Expenses written off	2.48	2.48
Net Profit after Financial Expenses & Depreciation	28.98	27.41

2. BUSINESS REVIEW & FUTURE OUTLOOK :

During the year under review Company has clocked turnover of Rs. 401.07 lakhs with net profit of Rs.28.98 lakhs. All the major brands across the globe are outsourcing from India. The Company also stands to benefit which has been possible only due to Quality consistency maintained which resulted into repeat orders from international buyers. The wows of the Company regarding inadequate Working Capital continue as the Bankers are not being supportive to the EOUs even after clear Government Policy for supporting the Textile units and specially EOUs in the Country. Due to inadequate profits and in order to prepare for good times ahead, Your Directors have not recommended any Dividend.

3. DIRECTORS :

Shri Subhash Kothari and Shri Nortan Bothra retire by rotation at the ensuing Annual General meeting and being eligible, offer themselves for reappointment. Your Director recommend their re-appointment as Directors liable to retire by rotation.

4. AUDITORS :

The Auditors M/s S Suresh & Co., Chartered Accountants, Hyderabad hold office upto conclusion of the ensuing Annual General Meeting. Being eligible, the Board recommends their reappointment for the year 2006-2007.

The observations made by the Auditors in their report read with the Notes on Accounts are self explanatory and do not require any comments from Directors.

5. FIXED DEPOSITS:

Your Company has not accepted any Fixed Deposits from the Public or its shareholders during the year under review.

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6. DIRECTORS RESPONSIBILITY STATEMENT: In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors state:

- (i) That in the preparation of the Annual accounts, the applicable accounting standards have been followed.
- (ii) That your Directors have selected such accounting policies and applied them consistently and made judgement and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit & loss of the Company for that period.
- (iii) That your Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities.
- (iv) That your Directors have prepared the Annual Accounts on a going concern concept.

7. PARTICULARS OF EMPLOYEES: During the year under review, there were no employees drawing salaries equal or more than the limits laid under Section 217(2A) read with the Companies(Particulars of Employees) Rules, 1975.

8. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO:

The details of energy conservation, technology absorption and foreign exchange earnings and outgo as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies(Disclosure of Particulars in the Report of Board of Directors) Rules 1988 are given in the Annexure forming part of this report.

9. CORPORATE GOVERNANCE CODE : The Code of Corporate Governance promulgated by Securities & Exchange Board of India has been implemented by your Company by 31st March, 2003 as per schedule of implementation given by SEBI. A Report on Corporate Governance as required is attached hereto and forms part of the Report.

10. DEMATERIALISATION OF SHARES: M/s. Sharex Dynamic (India) Private Limited, Mumbai were appointed as Depository Registrars for dematerialization of shares and for physical shares also the transfer work was entrusted to them.

The Company has been allotted ISIN- **INE185E01013** by NSDL and CDSL for demat of shares during the year.

11. ACKNOWLEDGEMENTS : Your Directors take this opportunity to express their grateful appreciation for the cooperation and assistance by Central and State Governments, IFCI, State Bank of Hyderabad, Raw material suppliers and business associates as well as shareholders. Your Directors also place on record their appreciation for the devoted services rendered by all employees.

for and on behalf of the Board of Directors

Place: Hyderabad
Date : 30.08.2006

(Prabhat Sethia)
Managing Director

(Norton Bothra)
Director

Uni-Socks (India) Ltd.

ANNEXURE- A TO DIRECTOR'S REPORT

A. Conservation of Energy :

The thrust on energy conservation continued during the year across all manufacturing processes and it has resulted into considerable savings on the energy bill. Adequate training to staff has also contributed to effective utilization of devices resulting in same output in shorter running time. The installation of power capacitor is also bringing the desired results in power and fuel consumption.

B. Technology Absorption :

a) Research & Development

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

The Company does not have a specific R & D Department. However it is constantly trying to improve quality of its products by adhering to strict international quality procedures as per buyers specifications.

2. Benefits as a result of above R & D

Reduction of cost in output, marked improvement in quality resulting in better marketability.

3. Future plan of action

The above activities shall continue. The Company proposes to concentrate in the use of developing process know how which will eliminate/ reduce wastage.

b) Technology absorption, adaptation & innovation

1. The efforts in brief towards technology absorption, adaptation and innovation

The Company has fully absorbed the technology for manufacture of socks.

2. Benefits to be derived as a result of above efforts e.g output improvement, cost reduction, product development, import substitution etc are reflected in the working.

Uni-Socks (India) Ltd.**Disclosure of Particulars with respect to the conservation of energy:****FORM A****A. Power & Fuel onsumption****Current Year****Electricity**

a) Purchased Units (Kwh)	265527
Total amount (Rs.)	1569260
Rate/ unit(Rs.)	5.91
b) Own Generation	
Through Diesel Generator Units (Kwh)	57349
Total Amount (Rs.)	493200
Cost/unit (Rs)	8.60

FORM B**RESEARCH & DEVELOPMENT (R&D)**

The Company is operating in the area of manufacture where R& D is for designing only. However Company has always made efforts to absorb the latest technological developments in machinery etc.

TECHNOLOGY ABSORPTION

The company has fully absorbed the imported technology for usage and running of machines, their maintenance etc.

FOREIGN EXCHANGE EARNINGS & OUTGO**(Rs. in lacs)**

a. Total Foreign Exchange earned through direct exports	401.07
b. Others	
Total Foreign Exchange Earned	401.07
c. Foreign Exchange Used	
- For import of raw materials	
- For import of spares etc	1.90
- For Capital expenditure	Nil
Total Foreign Exchange used	1.90

Uni-Socks (India) Ltd.**ANNEXURE-B****Management Discussion & Analysis****Industry structure and developments**

The Indian Textile and Garment industry has started to look up after a gap of three years with boost in Exports to Western countries picking up for the Industry. Indian Textile Industry offers cheaper quality products with talent pool of designers to suit the price sensitive Multinationals. These factors have earned the Indian Textile industry a good reputation which has thrown open the gates for lot of large Multinationals setting up their sourcing outfits in India.

Opportunities and Threats

The Company is a 100% Export Oriented Unit which enjoys confidence of buyers in European countries for quality supplies and this catapults into more orders from major chain stores in France and United Kingdom which can be leveraged to great advantage. The Company faces competition from several other socks units in India. Indian Banking system has continued its traditional approach of higher interest rates thereby making the products costlier resulting in increase in costs and pressures on profitability. The size of the Company also does not allow to reap benefits of scale.

Outlook

During last years, the industry in general was facing slowed down but has shown marked recovery in the current year which is expected to continue during year. The Company is considering to enter into some other field of business including backward integration for manufacture of covered cotton yarn. However, no plans have been formalized and are at exploration stage only.

Risks and concerns

The opening of Indian economy is a cause for concern as Indian markets are attracting major buyers to establish their own manufacturing bases in India. This may result into lower orders from some of the international buyers of the Company. With plans to diversify into other businesses, the risks associated with the trade will be borne in mind before leaping into such business.

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Internal control systems and their adequacy

The internal control systems are aimed at promoting operational efficiencies. Since the operations have continued at same scale with plans to diversify, the new guidelines for control will be implemented according to the Industry specific requirement at appropriate time.

The internal audit is conducted as per the requirement of the Company and the report is submitted to the Audit committee and to the Management. It reviews the policies and procedures followed.

The Audit committee with three directors will be meeting regularly to investigate any matter relating to the internal control system and reviews the Internal Audit. The committee will review the quarterly and half yearly financials before they are submitted to the Board of Directors.

Financial Condition

Share Capital

During the year under review Company has received Allotment Money dues to the extent of Rs. 35,09,000 on equity shares which have been made fully paid up.

Secured Loans

The outstanding Secured Term loan of Rs. 697.58 lakhs as on 31st March 2006 could not be serviced during the year. Under the One Time Settlement the Company has repaid part of the amount due to IFCI. Balance to be paid over a period.

Fixed Assets

Fixed Assets (gross block) have depreciated from Rs. 640.67 lakhs to Rs. 604.61 lakhs during the financial year. The company proposes to continue the operations with existing assets during the current year.

Human Resources

The Company has reviewed the entire work force and most of redundant positions have been abolished to cut down on cost. There has been no increase in human cost for the year.