

*17th Annual Report*  
**2005-06**

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**GANESH POLYTEX LTD.**



## GANESH POLYTEX LTD.

### BOARD OF DIRECTORS

Shri SHYAM S. SHARMA, *Chairman and Managing Director*  
 Shri SHARAD SHARMA, *Joint Managing Director*  
 Shri V. D. KHANDELWAL  
 Shri S. K. KABRA  
 Shri ANOOP GUPTA  
 Shri BRIJ MOHAN AGARWAL, *Additional Director*  
 Shri PRADEEP KUMAR GOENKA, *Additional Director*

### AUDITORS

M/s. MEHROTRA RAKESH KUMAR & CO.  
*Chartered Accountants*  
 KANPUR

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### BANKERS

STATE BANK OF INDIA  
 STATE BANK OF BIKANER & JAIPUR

### REGISTERED OFFICE AND WORKS

RAIPUR (RANIA),  
 KALPI ROAD,  
 DISTT. KANPUR DEHAT.

### ADMINISTRATIVE OFFICE

113/216-B, SWAROOP NAGAR,  
 KANPUR-208 002

INDEX	Page No.
Notice to the Shareholders	1-3
Directors' Report	4-6
Management Discussion & Analysis	7
Corporate Governance Report	8-11
Auditors' Report	12-13
Balance Sheet	14
Profit & Loss Account	15
Schedules to the Accounts	16-27
Cash Flow Statement	28

## SEVENTEENTH ANNUAL REPORT

## NOTICE

NOTICE is hereby given that the **SEVENTEENTH ANNUAL GENERAL MEETING** of the Members of GANESH POLYTEX LIMITED will be held on Tuesday, the 26th September, 2006 at 11.15 A.M. at the Registered Office of the Company at Raipur (Rania), Kalpi Road, Distt. Kanpur Dehat to transact the following business :

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 2006, Balance Sheet as at that date together with the Directors' Report and Auditors' Report thereon.
2. To appoint a Director in place of Shri S.K. Kabra, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company and to fix their remuneration. The retiring Auditors, M/s. Mehrotra Rakesh Kumar & Co., Chartered Accountants are eligible for re-appointment.

**SPECIAL BUSINESS :**

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

"RESOLVED THAT Shri Brij Mohan Agarwal, who was appointed as an Additional Director by the Board under Section 260 of the Companies Act, 1956, and holds office up to the date of forthcoming Annual General Meeting and in respect of whom the Company has received a notice in writing from a member signifying his intention to propose his candidature for the office of Director of the Company be and is hereby appointed as Director of the Company liable to retire by rotation."

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

"RESOLVED THAT Shri Pradeep Kumar Goenka, who was appointed as an Additional Director by the Board under Section 260 of the Companies Act, 1956, and holds office up to the date of forthcoming Annual General Meeting and in respect of whom the Company has received a notice in writing from a member signifying his intention to propose his candidature for the office of Director of the Company be and is hereby appointed as Director of the Company liable to retire by rotation."

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

"RESOLVED THAT pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 consent of the Company be and is hereby accorded to the Board of Directors of the Company for mortgaging and/or charging on such terms and conditions, at such time or times and in such form and manner as it may think fit, the whole or substantially the whole of the Company's any one or more undertakings or all the undertakings including all the present and future movable and/or immovable properties and assets of the Company, wheresoever situate, together with the power to take over the management of the business and concern as also to enter upon and take possession of the assets of the company, in certain events, to and/or in favour of the consortium of Allahabad

Bank and Canara Bank (herein after referred to as "Consortium Banks") for securing the repayment of Term Loan and working capital assistance of Rs. 1530.00 lacs lent and advanced / agreed to be lent and advanced by the said Consortium Banks together with interest, additional interest, funded interest, liquidated damages and all other costs, charges and expenses payable under the agreement(s) entered into to be entered into by the company jointly or severally with the said Consortium Banks."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things and to execute such documents or writings as may be necessary for giving effect to the above resolution and that all acts and deeds done by and with the authority of the Board in anticipation of the passing of this resolution, be and are hereby ratified and confirmed."

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

"RESOLVED THAT pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 consent of the Company be and is hereby accorded to the Board of Directors of the Company for mortgaging and/or charging on such terms and conditions, at such time or times and in such form and manner as it may think fit, the Company's whole of the immovable properties including land admeasuring 8674.25 Sq. yards covered by Khatauni No. 183, Gata Nos. 247-A & 247-B and land admeasuring 1.884 Hectares covered by Khasra No. 223-K, 223, 224, 237A situated at Village Raipur (Rania), Kanpur (Dehat), in favour of State Bank of India, Industrial Finance Branch, Kanpur and State Bank of Bikaner & Jaipur, Kanpur hereinafter collectively referred as "SBI Consortium" with a second charge in favour of Allahabad Bank, Rudrapur and Canara Bank, Kanpur hereinafter collectively referred to as "Allahabad Bank Consortium" by way of mortgage by deposit of title deeds of the Company with State Bank of India, Industrial Finance Branch, Kanpur, for securing the repayment and discharge by the Company to "SBI Consortium" of its working capital facilities of Rs. 1365 lacs and to "Allahabad Bank Consortium" of its Term loan of Rs. 984 lacs and Working capital facilities of Rs. 546 lacs availed / to be availed by the Company, together with interest, additional interest, funded interest, liquidated damages and all other costs, charges and expenses payable under the agreement(s) entered into to be entered into by the company jointly or severally with the said Consortium Banks."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things and to execute such documents or writings as may be necessary for giving effect to the above resolution and that all acts and deeds done by and with the authority of the Board in anticipation of the passing of this resolution, be and are hereby ratified and confirmed."

Registered Office :  
Raipur, (Rania), Kalpi Road,  
Distt. Kanpur Dehat.  
Date : 29.07.2006

By Order of the Board  
  
SHYAM S. SHARMA  
Chairman cum Managing Director



## GANESH POLYTEX LTD.

### NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/ HER SELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxy in order to be effective must be deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of the Meeting.
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Businesses under Item Nos. 4 to 6 as set out above is annexed hereto.
3. The Register of Members and Share Transfer books of the Company shall remain closed from **Saturday, the 23<sup>rd</sup> September, 2006 to Tuesday, the 26<sup>th</sup> September, 2006** (both days inclusive).
4. Members holding Shares in identical order of names in more than one folio are requested to write to the Company, enclosing the Share Certificates for consolidation of their holdings into one folio.
5. Members holding Shares in physical form may write to the Company's Registrar & Transfer Agents M/s Skyline Financial Services Private Limited for any change in their address, if any, under their signatures clearly quoting their folio numbers, old address along with the changed address with Pin Code, and Members holding Shares in electronic form may inform any change in address to their Depository Participants.
6. Members holding Shares in electronic form are requested to provide their Client-Id and DP-ID numbers at the Meeting for easy identification.
7. Members desirous of obtaining any information/ clarification concerning the Accounts and operations of the Company are requested to address their queries in writing to the Company Secretary at least seven days before the Annual General Meeting, so that the desired information may be made available at the Annual General Meeting, if the Chairman permits to do so.
8. The Shares of the Company are compulsorily tradable in demat form. The Equity Shares of the Company have been assigned ISIN INE845D01014. Members are requested to get their Shares dematerialized at the earliest to make them tradable.
9. The relevant details in respect of Item nos. 2, 4, and 5 pursuant to Clause 49 of the Listing Agreement are as below :

### BRIEF PROFILE OF DIRECTORS SEEKING APPOINTMENT/ RE-APPOINTMENT :

Particulars	Shri S.K. Kabra	Shri B.M. Agarwal	Shri Pradeep Kumar Goenka
Date of Birth	4th April, 1944	18th December, 1940	15th September, 1954
Date of Appointment	19th July, 1994	29th May, 2006	29th July, 2006
Qualification	B.Com, LL.B, FCA	B.Sc. (Engg.), M.Tech., SMAIE (USA)	Chartered Accountant
Expertise in specific functional area	38 years experience in textile industry. Had been Managing Director for 11 years in Shree Manufacturing Company Ltd.	Had been Whole-Time Director in IFCI Ltd. and has professional experience of over 45 years in Engineering, Finance, HRD, Construction & General Management.	Mr. Pradeep Kumar Goenka is a Chartered Accountant and has rich professional experience of over 30 years in Finance and related consultancy services.

Chairman/ Director of other companies (excluding foreign Companies)	<ul style="list-style-type: none"> <li>• Astha Textile Company Pvt. Ltd.</li> <li>• Jyotishree Textile Company Pvt. Ltd.</li> <li>• Rockwell Industries Limited</li> <li>• Sheelendra Industries Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>• Jaypee Karcham Hydro Corporation Limited</li> </ul>	<ul style="list-style-type: none"> <li>• Frontier Springs Ltd.</li> <li>• Kanpur Plastipack Ltd.</li> <li>• M.P.Chini Industries Ltd.</li> <li>• Crest International Ltd.</li> <li>• Goenka Polypack Pvt. Ltd.</li> <li>• Abhyuday Industrial Consultants (P) Ltd.</li> <li>• Hiltch Education (P) Ltd.</li> <li>• Northern Sackplas (P) Ltd.</li> <li>• M.P.Udyog Ltd.</li> </ul>
Chairman/ Member of Committee of the Board of Companies of which he is a Director	Nil	Nil	FRONTIER SPRINGS LTD. Audit Committee Meeting- Chairman Shareholders and Investors Grievance Committee- Member KANPUR PLASTIPACK LTD. Audit Committee - Member Shareholders and Investors Grievance Committee- Member
Shareholding in Ganesh Polytex Ltd.	Nil	Nil	1000 Shares

### ANNEXURE TO NOTICE

### EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

#### Item No. 4 :

With a view to broad base the Board and ensuring better Governance, Shri Brij Mohan Agarwal was inducted as an Additional Director on 29<sup>th</sup> May, 2006 and he holds office up to the date of ensuing Annual General Meeting of the Company. As required under Section 257 of the Companies Act, 1956, the Company has received notice from a member along with requisite deposit proposing for the candidature of Shri Brij Mohan Agarwal as a Director of the Company. Shri Brij Mohan Agarwal, B.Sc. (Engg.), M.Tech., SMAIE (USA) has held many senior positions including as Whole-Time Director with IFCI Ltd. and has professional experience of over 45 years in Engineering, Finance, HRD, Construction & General Management. The Board recommends the resolution for approval of the members.

None of the Directors of the Company except Shri Brij Mohan Agarwal himself may be considered as concerned or interested in the resolution.

#### Item No. 5 :

With a view to broad base the Board of Directors of the Company and ensuring better Governance, Shri Pradeep Kumar Goenka was inducted as an Additional Director on 29<sup>th</sup> July, 2006 and he holds office up to the date of ensuing Annual General Meeting of the Company. As required under Section 257 of the Companies Act, 1956, the Company has received notice from a member along with requisite deposit proposing for the candidature of Shri Pradeep Kumar

## SEVENTEENTH ANNUAL REPORT

Goenka as a Director of the Company. Shri Pradeep Kumar Goenka, a Practising Chartered Accountant has rich professional experience of over 30 years in Finance and related consultancy services. The Board considers it desirable that his continuance on the Board will be of immense benefit to the Company and accordingly recommends the resolution for approval of the members.

None of the Directors of the Company except Shri Pradeep Kumar Goenka himself may be considered as concerned or interested in the resolution.

**Item No. 6 :**

The Company has been sanctioned by the consortium of Allahabad Bank and Canara Bank, Term Loan and working capital assistance of Rs. 1530.00 lacs for its new project at Rudrapur. The aforesaid assistance is required to be secured by way of charge of immovable and / or movable properties of the Company. As the mortgaging or the charging of the assets may amount to disposal of whole or substantially the whole of the undertaking of the Company, approval of the members is being sought in terms of the provisions of Section 293 (1)(a) of the Companies Act, 1956. The Board recommends the resolution for acceptance of the members.

None of the Directors of the Company may be considered as concerned or interested in the resolution.

**Item No. 7 :**

The Company has been sanctioned working capital assistance of

Rs. 1365.00 lacs by the consortium of State Bank of India, Industrial Finance Branch, Kanpur & State Bank of Bikaner & Jaipur, Kanpur and Term Loan of Rs. 984.00 lacs & Working Capital assistance of Rs.546.00 lacs by the consortium of Allahabad Bank, Rudrapur & Canara Bank, Kanpur. The aforesaid assistance is required to be secured by way of charge and/or mortgage of the Company's whole of the immovable properties including land admeasuring 8674.25 Sq. yards covered by Khatauni No.183, Gata Nos. 247-A & 247-B and land admeasuring 1.884 Hectares covered by Khasra No. 223-K, 223, 224, 237A situated at Village Raipur (Rania), Kanpur (Dehat). As the mortgaging or the charging of the assets may amount to disposal of whole or substantially the whole of the undertaking of the Company, approval of the members is being sought in terms of the provisions of Section 293 (1)(a) of the Companies Act, 1956. The Board recommends the resolution for acceptance of the members.

None of the Directors of the Company may be considered as concerned or interested in the resolution.

All the documents referred in the accompanying Notice are open for inspection of the members during the business hours on all working days up to the date of the Meeting.

Registered Office :  
Raipur, (Rania), Kalpi Road,  
Distt. Kanpur Dehat.  
Date : 29.07.2006

By Order of the Board  
  
SHYAM S. SHARMA  
*Chairman cum Managing Director*

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## GANESH POLYTEX LTD.

# DIRECTORS' REPORT

### TO THE MEMBERS OF GANESH POLYTEX LTD.

Your Directors take pleasure in presenting the Seventeenth Annual Report together with the Audited Statement of Accounts of the Company for the financial year ended 31<sup>st</sup> March, 2006.

### FINANCIAL RESULTS

The summarized financial results of the Company for the year ended 31<sup>st</sup> March, 2006 as compared to the preceding year are as under:

(Rs. In lacs)

	2005-2006	2004-2005
Total Income	5219.59	5085.88
Profit before Interest and Depreciation	577.19	523.88
Less : Interest and Finance expenses	185.75	228.48
Less : Depreciation	139.57	145.20
Profit/ (Loss) before Tax	251.87	150.20
Provision for Tax – Current	(10.99)	—
– Fringe Benefit Tax	(6.02)	—
– Deferred Tax (Net)	(88.38)	(142.32)
Profit/ (Loss) after Tax	146.48	7.88
Surplus/(Deficit) brought forward from Previous year	50.98	55.90
Add : Transferred from Debenture Redemption Reserve on redemption	32.00	—
Less : Transferred to Debenture Redemption Reserve	—	12.80
Surplus/(Deficit) carried to Balance Sheet	229.46	50.98

### DIVIDEND

With a view to conserve resources for general corporate purposes and expansion plans, your Directors considered it prudent not to recommend any dividend for the year under review.

### OPERATIONS

During the year under review, the Company achieved Turnover of Rs. 5199.78 lacs as compared to Rs. 5066.32 lacs in the preceding year. Although there is marginal increase in turnover of the Company, the Profit after Tax was significantly higher at Rs. 146.48 lacs as against Rs. 7.88 lacs in the preceding year due to improved operational efficiencies and cost reduction measures. During the year under review, the export sales registered significant growth which stood at Rs. 863.97 lacs as against Rs 557.31 Lacs in the preceding year.

The performance of the Company during the Current Year continues to be encouraging and barring unforeseen circumstances, your Directors expect your Company to turn out even improved results during the Current Year as well.

### PROJECTS

Your Directors are pleased to report that, your Company has started

the implementation of its green field project for manufacture of re-cycled Polyester Staple Fibre in the State of Uttaranchal which is expected to be operational by the end of the Current financial year.

### FINANCE

During the year under review, the Company made repayment of Term Loans amounting to Rs. 214.53 lacs to the Banks and Financial Institutions and the Term Loan from IDBI was repaid in full. The Company has also redeemed 12.5% Non-Convertible Debentures of Rs.100/- each aggregating to Rs.51.20 lacs on due date in accordance with the terms of the issue.

You will be pleased to note that the Company has achieved the financial closure of its expansion project for manufacture of re-cycled Polyester Staple Fibre being setup in the State of Uttaranchal.

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis on matters relating to the business performance, as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges, is given as a separate statement in the Annual Report.

### DIRECTORS

Pursuant to the provisions of the Companies Act, 1956 and Articles of Association of the Company, Shri S.K. Kabra, Director of the Company retires from the Board by rotation and being eligible he has offered himself for re-appointment.

During the year under report, Shri R. K. Saxena and Shri Sandeep Jhawar ceased to be the Director of the Company due to death and resignation respectively. The Board while condoling the death of Shri R.K. Saxena places on record its appreciation for the valuable services rendered by them during their tenure as Director of the Company. To fill up the vacancies so caused, Shri B. M. Agarwal and Shri Pradeep Kumar Goenka were co-opted as additional and Independent Directors who hold office up to the date of forthcoming Annual General Meeting and are eligible for appointment as Directors of the Company.

### AUDITORS

The term of office of the present auditors of the Company, M/s. Mehrotra Rakesh Kumar & Co., Chartered Accountants, Kanpur expires at the conclusion of ensuing Annual General Meeting and being eligible, they have confirmed their willingness to accept office, if re-appointed. The Board recommends their re-appointment.

The observations of Auditors in their report read with the notes to the accounts are self explanatory and therefore, do not call for any further information and explanation.

### PARTICULARS OF EMPLOYEES

As none of the employees of the Company was in receipt of remuneration in excess of limits prescribed, information as per Section 217(2A) of Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 is not required to be given.

### DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956, the

## SEVENTEENTH ANNUAL REPORT

Directors of the Company state in respect of the period ended 31<sup>st</sup> March, 2006 that :-

- a) in preparation of Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- b) they have selected such accounting policies and applied them consistently and 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 at the end of the Financial year and of the profit of the Company for that year;
- c) they have taken proper and sufficient care 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;
- d) they have prepared Annual Accounts on a going concern basis.

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

As per the requirement of Section 217(1) (e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, the particulars relating to Conservation of Energy, Technology Absorption and Foreign

Exchange Earnings and Outgo are annexed hereto, forming part of this report.

#### **CORPORATE GOVERNANCE**

A separate section on Corporate Governance and a Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges, form part of the Annual Report.

#### **ACKNOWLEDGEMENTS**

Your Directors take this opportunity to place on record their appreciation for the co-operation and support extended by various Departments of Central and State Government(s), Financial Institutions, Bankers and Business associates.

Your Directors also wish to place on record their appreciation to all the employees for their sincere and dedicated services rendered to the Company and are also grateful to all the members of the Company for reposing continued trust and confidence in the management of the Company.

For and on behalf of the Board

Place : Kanpur  
Date : 29.07.2006

**SHYAM S. SHARMA**  
*Chairman & Managing Director*

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# GANESH POLYTEX LTD.

## ANNEXURE TO THE DIRECTORS' REPORT

### INFORMATION AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 FOR THE YEAR ENDED 31ST MARCH, 2006.

#### I. CONSERVATION OF ENERGY

##### (a) Energy conservation measures taken :

The Company has an in-house cell for undertaking periodical review of electrical systems in the plant and based upon their recommendations, steps are taken for effective conservation of energy.

##### (b) Additional Investment and proposals, if any, being implemented for reduction of consumption of energy :

The Company is constantly on the watch for various modes and areas of conservation of energy. Investments, therefore, will be considered after identification of such areas.

##### (c) Impact of the measures taken above :

The adoption of energy conservation measures as mentioned above have resulted in saving of energy cost.

##### (d) Total energy consumption and energy consumption per unit of production :

#### FORM A

#### A. Power and Fuel Consumption :

	Current year (2005-2006)	Previous year (2004-2005)
--	-----------------------------	------------------------------

##### 1. Electricity

##### (a) Purchased Unit (KWH in lakhs)

Total amount (Rs. in lakhs)

Rate/ KWH (in Rs.)

(-)

(-)

(-)

##### (b) Own Generation

(Through Diesel Generators)

Unit (KWH in lakhs)

Unit per Litre of Diesel Oil

Cost/ unit (in Rs.)

66.52

80.90

3.39

3.51

7.74

6.21

##### 2. Coal & Rice Husk

Quantity (Kgs. in lakhs)

Total Cost (Rs. in lakhs)

Average rate

36.71

26.27

47.83

30.99

1.30

1.18

#### B. Consumption per unit of production :

Fibre, Yarn and other goods (Kgs. in lakhs)

Electricity (in KWH)

Coal & Rice Husk (in Kgs.)

92.52

90.25

0.72

0.90

0.40

0.29

#### FORM B

#### II. TECHNOLOGY ABSORPTION

##### RESEARCH & DEVELOPMENT

##### Specific areas in which R&D carried out by the Company

The company is having an ongoing process of Research and Development where regular studies and exploration is carried out for introduction of new products and minimization of by-production of waste during various processes.

##### Expenditure on R & D

As the Company is regularly upgrading and absorbing the technological improvements, the expenses involved in research & development are not significant, therefore, the same have not been accounted for separately.

##### Technology absorption, adaptation and innovation

##### 1. Efforts in brief, made towards technology absorption, adaptation and innovation :

The Company is constantly upgrading and absorbing the technological improvements.

##### 2. Benefit derived as a result of the above efforts :

Product improvement, product development, energy saving, cost reduction etc.

##### 3. Technology Imported - Nil

#### III. FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company is striving hard to expand its export markets in new countries by making value-added quality products.

The details with regard to foreign exchange earnings and outgo are as under :

	Current year (2005-2006)	Previous year (2004-2005)
--	-----------------------------	------------------------------

##### A) Foreign Exchange earnings

863.97

557.31

##### B) Foreign Exchange outgo

##### 1. Import of - Raw Materials

196.80

297.36

##### - Capital Goods

2.07

-

##### 2. Expenditure on - Travelling

3.76

0.88

##### - Others

0.50

-

For and on behalf of the Board

Place : Kanpur

Date : 29.07.2006

SHYAM S. SHARMA  
Chairman and Managing Director



## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Structure & Development :

The textile industry covers a wide range of economic activities and thus has a significant role in the economy of the country. At present it contributes 20 per cent of industrial production, 9 per cent of excise collections, 18 per cent of employment in the industrial sector, nearly 20 per cent to the country's total export earnings and 4 per cent to the GDP. Despite an obsolescence of infrastructure, the textile industry has shown remarkable progress in the last decade.

According to a study by CRISIL, the Indian textile and apparel industry can achieve a potential size of US\$ 85 billion by 2010, with a domestic market size of US\$ 45 billion and nearly 60 per cent of exports comprising garments.

India has a natural competitive advantage in terms of a strong and large multi-fibre base, abundant cheap skilled labour and presence across the entire value chain of the industry ranging from spinning, weaving, and made-ups to manufacturers of garments. The Government's initiatives to recognize the Textile industry as a key thrust area with keen emphasis on Technology upgradation, development of infrastructure, reduction in duties on man-made fibres and establishment of textile parks and clusters will certainly help Indian Textile Industry to emerge as a leading global player.

### Opportunities & Threats :

With dismantling of quotas, global textile trade is expected to grow US\$ 650 Billion by 2010, i.e. CAGR of 10% in 5 years' time. High labour cost in developed countries is driving out textile and clothing business to Asian and other low cost countries. Though, China is better equipped to churn out high volume commodity products but our strength lies in niche markets and catering to discerning buyers who demand exclusive products in the premium and mid-segment categories. India has the strength of producing smaller volumes, exclusive designs and specific qualities.

India is one of the largest and one of the fastest growing economies in the world. Robust GDP growth, rising disposable income, higher consumer spending and organized retailing coupled with recent reduction in excise duty in the budget will spur consumption and boost demand in domestic market.

However, there are challenges ahead. External pressures include, selective tariff reduction by importing countries, excessive use of trade defence measures, new non-tariff barriers by way of social audits, environment and labour standards and other measures such as Roles of Origin being invoked.

Internal challenges include scalability of operations, supply chain management, effective integration of the various sectors within the industry, quality of infrastructure, rigid labour laws etc.

### Segment wise Performance :

Segment	Revenues		PBIT		PBIT/Revenues	
	2006	2005	2006	2005	2006	2005
Yarn	2021.55	2170.21	296.32	311.34	14.66%	14.35%
Fibre	3178.23	2896.11	446.63	395.07	14.05%	13.64%

The export sales during the year 2005-06 recorded a jump of 55% over the previous year.

### Outlook :

A modern resurgent textile industry is in the making. In post-quota regime, Indian Textile Industry is poised for a quantum leap and to leverage its competitive advantage. Investment climate in textile industry has drastically improved. Entrepreneurs and existing players are

expanding capacities and adopting strategies addressed to growing consuming class. Industry is striving hard to improve quality, productivity and efficiency and introducing global benchmark with the support of modern technology and IT solutions. Indian economy's growth of 7-8% and focus on development of infrastructure augurs well for the growth of the industry. Bilateral and multinational trade agreements will facilitate better trade. Pragmatic approach by the government in supporting the textile industry will generate employment and fuel growth.

To seize the opportunities presented by the new economic environment in the textile industry, your company has decided to expand capacity of its fibre division. The project to set up new capacity of 9000 tpa for manufacture of Regenerated Polyester Staple Fibre at Pantnagar, Uttranchal is in progress and expected to be operational by the end of current financial year.

With the idea of value addition, your Company is in the process of identifying the opportunity in downstream product line as well as inorganic growth areas, which are strategic to its intents and synergistic to its operations.

### Risk and Concerns :

On the one hand your Company operates in a highly competitive environment – a fragmented industry with many small and medium sized players. On the other hand, feed stock prices are subject to wide fluctuations due to demand-supply situation. Any adverse movement in their prices can have a negative impact on the performance of the Company. Cost of fuel is also a major concern, which is constantly increasing due to high global oil prices.

To mitigate this risk, we are moving towards more value added and niche products.

Your company operates in a highly regulated industry. In the recent past, the government has implemented various policies and programmes to make the industry globally competitive. However, unfavourable changes in government policies and the regulatory environment can adversely impact the performance of the Company.

### Internal Control Systems and Their Adequacy :

Well qualified and experienced professionals at the plant play a crucial role in planning and implementation. Adherence to systems and operating procedures is ensured by the accountability brought to internal audits. The Company has adopted internal control system commensurate with its size. Through the Audit Committee, the Company ensures its implementation and compliance so that asset and business interests of the Company are adequately safeguarded. The Company has made in-house arrangements for the internal audits and the reports by the Internal Auditors are discussed at the Audit Committee Meeting.

### Financial & Operational Performance :

Please refer the Directors' Report.

### Human Resources :

For the Company, the quality of people is more important than any of the other assets. The relations between the employees and the Company remained cordial through out the year.

### Cautionary Statement :

Statement in this Management Discussion and Analysis describing the Company's objectives, projections, estimates, and expectations may be 'forward looking statements' within the meaning of applicable laws regulations. Actual results might differ substantially or materially from those expressed and implied. Important developments that could affect the company's operations include downtrend in the Textile industry – global or domestic or both, significant changes in political and economic environment in India or key markets abroad, tax laws, litigation, labour relations, exchange rate fluctuations, interest and other costs.