

EIGHTEENTH ANNUAL REPORT

NOTICE

NOTICE is hereby given that the **EIGHTEENTH ANNUAL GENERAL MEETING** of the Members of GANESH POLYTEX LIMITED will be held on Monday, the 24th September, 2007 at 4:15 P.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, 2007, Balance Sheet as at that date together with the Directors' Report and Auditors' Report thereon.
2. To confirm the payment of the Interim Dividend on Cumulative Redeemable Preference Shares.
3. To appoint a Director in place of Shri V.D. Khandelwal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Anoop Gupta, who retires by rotation and being eligible, offers himself for re-appointment.
5. 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.

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 pursuant to provisions of Section 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII thereto including any statutory modification or re-enactment thereof for the time being in force and subject to such approvals or sanctions as may be necessary, consent of the Company be and is hereby accorded to the variation in the terms of appointment of Shri Shyam S. Sharma, Chairman cum Managing Director of the Company, w.e.f. 1st August, 2007, with respect to revision of remuneration payable to him for the remainder term of his office in accordance with the provisions of Section I, Part II of Schedule XIII to the Companies Act, 1956 as under :

In case the Company has adequate profits in a financial year during the tenure of appointment of Chairman cum Managing Director :

In addition to the total remuneration of Rs. 1,00,000/- p.m. plus commission @ 1% of the Net Profits, as already approved by the Central Government, the Chairman cum Managing Director shall be entitled to receive performance linked remuneration based upon the quarterly financial performance of the Company, subject to the condition that the total remuneration payable to him shall not exceed 5% of the Net Profits of the Company for the year and 10% of the Net Profits of the Company payable to all the Managerial Personnel taken together.

The composition, mode and manner of payment of such additional remuneration shall be finalized in consultation with the Chairman cum Managing Director, subject to the condition that the amount of such additional remuneration shall not exceed a sum of Rs. 50,000/- p.m. with final adjustment thereof within the overall ceiling limits mentioned as above, at the end of the financial year.

In case the Company has inadequate profits in a financial year during the tenure of appointment of Chairman cum Managing Director :

The remuneration as approved by the Central Government i.e. Rs. 1,00,000/- p.m. plus commission @ 1% of the Net Profits, shall be payable to the Chairman cum Managing Director as minimum remuneration with the provision that the composition of total remuneration may be altered in consultation with the Chairman cum Managing Director subject, however, to the adherence of overall ceiling limit of remuneration as approved by the Central Government."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to settle any questions, doubts or difficulties and to do all such acts, deeds, matters and things as may be necessary, desirable or expedient to give effect to this resolution without being required to seek further approval of the Members to the end and intent that the Members shall be deemed to have given their approval thereto expressly by the authority of this resolution."

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 provisions of Section 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII thereto including any statutory modification or re-enactment thereof for the time being in force and subject to such approvals or sanctions as may be necessary, consent of the Company be and is hereby accorded to the variation in the terms of appointment of Shri Sharad Sharma, Joint Managing Director of the Company, w.e.f. 1st August, 2007, with respect to revision of remuneration payable to him for the remainder term of his office in accordance with the provisions of Section I, Part II of Schedule XIII to the Companies Act, 1956 as under :

In case the Company has adequate profits in a financial year during the tenure of appointment of Joint Managing Director :

In addition to the total remuneration of Rs. 50,000/- p.m., as already approved by the Central Government, the Joint Managing Director shall be entitled to receive performance linked remuneration based upon the quarterly financial performance of the Company, subject to the condition that the total remuneration payable to him shall not exceed 5% of the Net Profits of the Company for the year and 10% of the Net Profits of the Company payable to all the Managerial Personnel taken together.

The composition, mode and manner of payment of such additional remuneration shall be finalized in consultation with the Joint Managing Director, subject to the condition that the amount of such additional remuneration shall not exceed a sum of Rs. 50,000/- p.m. with final adjustment thereof within the overall ceiling limits mentioned as above, at the end of the financial year.



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In case the Company has inadequate profits in a financial year during the tenure of appointment of Joint Managing Director :

The remuneration as approved by the Central Government i.e. Rs. 50,000/- p.m., shall be payable to the Joint Managing Director as minimum remuneration with the provision that the composition of total remuneration may be altered in consultation with the Joint Managing Director subject, however, to the adherence of overall ceiling limit of remuneration as approved by the Central Government."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to settle any questions, doubts or difficulties and to do all such acts, deeds, matters and things as may be necessary, desirable or expedient to give effect to this resolution without being required to seek further approval of the Members to the end and intent that the Members shall be deemed to have given their approval thereto expressly by the authority of this resolution."

8. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as Special Resolution :

"RESOLVED THAT pursuant to the provisions of Section 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Article 115(2) of the Articles of Association of the Company and Conditions of the Listing Agreement of the Company with the Stock Exchanges and subject to such approvals or sanctions as may be necessary, consent of the Company be and is hereby accorded for payment of remuneration to the Directors of the Company (other than Managing or Whole Time Director) in addition to the fees payable to them for attending the meetings of the Board or Committee thereof, by way of commission @1% on the Net Profits of the Company calculated in accordance with the provisions of Section 198, 349 and 350 of the Act and that such remuneration shall be paid to all the Directors for the time being in office (other than a Managing or Whole Time Director) or some or any of them, in such manner and proportion as the Board may decide or equally amongst all such Directors otherwise and such payment shall be made in respect of the profits of the Company for each year during the period of five years commencing from 1st April, 2007."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to settle any questions, doubts or difficulties and to do all such acts, deeds, matters and things as may be necessary, desirable or expedient for giving effect to this resolution."

9. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as Special Resolution :

"RESOLVED THAT pursuant to the provisions of Section 314 read with Director's Relatives (Office or Place of Profit) Rules, 2003, and other applicable provisions, if any, of the Companies Act, 1956 including any statutory modification(s) or re-enactment thereof for the time being in force and subject to such approvals or sanctions as may be necessary, the consent of the Company be and is hereby accorded to the appointment of Shri Sandeep Khandelwal, a relative of Director of the Company, to hold and continue to hold office as Vice President (Projects) of the Company, for a period of five years with effect from 9th June, 2007 on the following terms and conditions :

(a) Remuneration from 9th June, 2007 to 30th September, 2007 :

Basic Salary	: Rs. 12,500/- p.m.
House Rent Allowance	: Rs. 5,000/- p.m.
Conveyance Allowance	: Rs. 2,000/- p.m.

(b) Remuneration from 1st October, 2007 to 8th June, 2012 :

Basic Salary	: Rs. 30,000/- p.m.
House Rent Allowance	: Rs. 10,000/- p.m.
Conveyance Allowance	: Rs. 2,500/- p.m.
Children Education Allowance	: Rs. 2,500/- p.m."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to alter, vary and modify the terms and conditions of appointment of Shri Sandeep Khandelwal from time to time during the tenure of his appointment as Vice President (Projects) subject however, to the compliance with the applicable provisions of the Companies Act, 1956 and the Rules made thereunder."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to complete all the necessary formalities and to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient for giving effect to this resolution."

Registered Office : By Order of the Board
Raipur (Rania), Kalpi Road,
Distt. Kanpur Dehat. SHYAM S. SHARMA
Date : 31st July, 2007 Chairman cum Managing Director

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 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 Business under Item nos. 6 to 9 as set out above is annexed hereto.
3. The Register of Members and Share Transfer books of the Company shall remain closed from **Friday, the 21st September, 2007 to Monday, the 24th September, 2007** (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.

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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 write to the Company 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. 3 and 4 pursuant to Clause 49 of the Listing Agreement are as below :

BRIEF PROFILE OF DIRECTORS SEEKING APPOINTMENT/ RE-APPOINTMENT :

Particulars	Shri V. D. Khandelwal	Shri Anoop Gupta
Date of Birth	6th March, 1949	5th January, 1958
Date of Appointment	30th October, 1987	31st July, 2002
Qualification	M. Com	Chartered Accountant
Expertise in specific functional area	Having experience of over 34 years in trading of different kinds of Textile Yarns.	Corporate Financial Management
Chairman/ Director of other companies (excluding foreign companies)	Sandeep Yarns (P) Ltd.	<ul style="list-style-type: none"> ❖ Ajeet Seeds Limited ❖ Gangamai Industries and Constructions Limited ❖ Concept Management Consulting Pvt. Ltd. ❖ CMCL Commercial Plaza Pvt. Ltd. ❖ PLUS BKSP TOLL Ltd. ❖ BKSP TOLL Pvt. Ltd. ❖ CMCL SAFAL Constructions Pvt. Ltd.
Chairman/ Member of Committee of the Board of other Companies of which he is a Director	Nil	Nil
Shareholding in Ganesh Polytex Ltd.	2,67,650 Equity Shares of Rs. 10 each.	Nil

ANNEXURE TO NOTICE

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

Item No. 6 :

The Members at the 16th Annual General Meeting of the Company held on 17th September, 2005, approved the appointment of Shri Shyam S. Sharma as Managing Director of the Company for a period of five years with effect from 18th September, 2005. There has been a tremendous increase in the operations and activities of the Company

especially after successful commissioning of Company's expansion project at Uttarakhand. Considering the valuable contribution made by Shri Shyam S. Sharma and his role, responsibilities and experience, it is proposed to revise his remuneration as set out in the resolution which is in line with the requirements of Schedule XIII and other applicable provisions of the Companies Act, 1956 and has been approved by the Remuneration Committee. The Board feels that the increase in remuneration is reasonable having regard to the prevailing industry trends and is within the ceiling limit on remuneration laid down under the Companies Act, 1956. As required under Section 310 of the Companies Act, 1956 read with Schedule XIII to the said Act, the proposal is placed for the approval of Members. The Board recommends the Resolution for approval of the Members.

None of the Directors of the Company except Shri Shyam S. Sharma himself, Shri V.D. Khandelwal and Shri Sharad Sharma, being related to him may be considered as concerned or interested in the resolution.

The resolution along with accompanying Explanatory Statement may be treated as an abstract of variation in the terms of appointment of Chairman cum Managing Director and Memorandum of Interest within the meaning of Section 302 of the Companies Act, 1956.

Item No. 7 :

The Members at the 15th Annual General Meeting of the Company held on 24th September, 2004, approved the appointment of Shri Sharad Sharma as Joint Managing Director of the Company for a period of five years with effect from 1st February, 2004. Considering the experience and valuable contribution made by Shri Sharad Sharma and the enhanced responsibilities he has to shoulder especially after successful commissioning of Company's expansion project at Uttarakhand, it is proposed to revise his remuneration as set out in the resolution which is in line with the requirements of Schedule XIII and other applicable provisions of the Companies Act, 1956 and has been approved by the Remuneration Committee. The Board feels that the increase in remuneration is reasonable having regard to the prevailing industry trends and is within the ceiling limit on remuneration laid down under the Companies Act, 1956. As required under Section 310 of the Companies Act, 1956 read with Schedule XIII to the said Act, the proposal is placed for the approval of Members. The Board recommends the Resolution for approval of the Members.

None of the Directors of the Company except Shri Sharad Sharma himself and Shri Shyam S. Sharma, Chairman and Managing Director, being related to him may be considered as concerned or interested in the resolution.

The resolution along with accompanying Explanatory Statement may be treated as an abstract of variation in the terms of appointment of Joint Managing Director and Memorandum of Interest within the meaning of Section 302 of the Companies Act, 1956.

Item No. 8 :

In the light of the services rendered by the Non-Executive Directors to the Company, it has been considered desirable that they should be suitably compensated by payment of remuneration in the form of commission on the Net Profits of the Company. As required under Section 309 of the Companies Act, 1956 read with Article 115(2) of the Articles of Association of the Company and Conditions of the Listing Agreement of the Company with the Stock Exchanges, the Special resolution as set out in the accompanying Notice is intended to obtain the approval of the Members for making such payment. The



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Board recommends the Special Resolution for approval of the Members.

Shri V.D. Khandelwal, Shri Anoop Gupta, Shri S.K. Kabra, Shri B.M. Agarwal and Shri Pradeep Kumar Goenka, being Non-executive Directors may be deemed to be concerned or interested in the resolution.

Item No. 9 :

In view of ongoing and future projects / expansion plans of the Company, the Board of Directors of the Company appointed Shri Sandeep Khandelwal, a relative of Shri V.D. Khandelwal, Director of the Company, as Vice President (Projects), with effect from 9th June, 2007 for a period of one year at an aggregate remuneration of Rs. 19,500/- p.m. Subsequently, the Board at its meeting held on 31st July, 2007 revised the period of his appointment to 5 years and his aggregate remuneration was also increased to Rs. 45,000/- p.m. w.e.f. 1st October, 2007. Shri Sandeep Khandelwal holds a Masters Degree in Marketing (M.B.A.) and being young and dynamic, his appointment as Vice President (Projects) in the opinion of the Board,

would immensely benefit the Company. The Special resolution as set out in the accompanying Notice is intended to obtain the approval of the Members under Section 314 of the Companies Act, 1956 read with the Director's Relatives (Office or Place of Profit) Rules, 2003. The resolution also seeks authority for the Board to alter, vary and modify the terms and conditions of appointment of Shri Sandeep Khandelwal subject to the compliance of necessary provisions of Law. The Board recommends the Special resolution for approval of the Members.

None of the Directors of the Company except Shri V.D. Khandelwal 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 Annual General Meeting.

Registered Office :
Raipur (Rania), Kalpi Road,
Distt. Kanpur Dehat.
Date : 31st July, 2007

By Order of the Board

SHYAM S. SHARMA
Chairman cum Managing Director



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DIRECTORS' REPORT

TO THE MEMBERS OF GANESH POLYTEX LTD.

Your Directors take pleasure in presenting the Eighteenth Annual Report together with the Audited Statement of Accounts of the Company for the financial year ended 31st March, 2007.

FINANCIAL RESULTS

The summarized financial results of the Company for the year ended 31st March, 2007 as compared to the preceding year are as under:

	(Rs. in lacs)	
	Current Year (2006-2007)	Previous year (2005-2006)
Total Income	6301.14	5219.59
Profit before Interest and Depreciation	700.62	577.19
Less : Interest and Finance expenses	223.19	185.75
Less : Depreciation	180.54	139.57
Profit before Tax	296.89	251.87
Provision for Tax – Current	(32.60)	(10.99)
– Fringe Benefit Tax	(6.33)	(6.02)
– Deferred Tax (Net)	(101.63)	(88.38)
– MAT credit available for set off	32.60	–
Profit after Tax	188.93	146.48
Surplus brought forward from Previous year	229.46	50.98
MAT Credit recognized for Previous year	10.99	–
Taxation for earlier years	(1.14)	–
Transferred from Debenture Redemption Reserve on redemption	–	32.00
Balance available for appropriation	428.24	229.46
Appropriations :		
– Interim Dividend on Preference Share	(23.75)	–
– Tax on Dividend	(3.33)	–
Surplus carried to Balance Sheet	401.16	229.46

DIVIDEND

With a view to conserve resources for general corporate purposes and expansion plans, your Directors considered it prudent not to recommend any dividend on Equity Shares for the year under review. However, the liability with respect to arrears of Dividend on 10% Cumulative Redeemable Preference Shares was discharged during the year.

OPERATIONS

During the year under review, the Company registered an increase of 20.55% in its Total Turnover, which rose to Rs. 6268.25 lacs in 2006-07 from Rs. 5199.78 lacs in 2005-06. The Profit after Tax during the year, also was placed at Rs.188.93 lacs as against Rs.146.48 lacs in the preceding year, recording an increase of 28.98%. This increase in Turnover and profitability has been primarily due to improved production efficiencies at Kanpur unit as well as on account of partial working for two months of expansion project of the Company at Rudrapur, Uttarakhand. During the year under review, the Export sales also registered growth which stood at Rs. 957.61 lacs as against Rs. 863.97 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 achieve improved results during the year.

PROJECTS

Your Directors are pleased to report that your Company's new unit for manufacture of Recycled Polyester Staple Fibre at Pantnagar, Uttarakhand with an installed capacity of 7200 TPA, has commenced commercial production w.e.f. 1st February, 2007. The Company is in the process of further expanding the capacity of its Rudrapur unit. You will also be pleased to note that the Rudrapur unit has been accredited with ISO 9001:2000 Certification during the year.

FINANCE

Your Directors are pleased to report that the Company had earlier repaid all the dues and liabilities of Banks/Financial Institutions during the year 2005-06. For meeting the financial requirements of expansion project at Rudrapur and also for additional financial requirements at Kanpur unit, the Company raised Rs. 10.06 crores as Term loans and Rs. 3.75 crores as Working Capital facilities from Banks during the year under review. Thereafter, the Company has also raised an amount of Rs. 4.00 crores by issue of 4,00,000 Preference Shares of Rs. 100 each to the Promoters and their associates on preferential basis.

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 forming part of this Report.

DIRECTORS

Pursuant to the provisions of the Companies Act, 1956 and Articles of Association of the Company, Shri V.D. Khandelwal and Shri Anoop Gupta, Directors of the Company retire from the Board by rotation and being eligible they have offered themselves for re-appointment.

AUDITORS

The term of office of the present auditors of the Company, M/s. Mehrotra Rakesh Kumar & Co., Chartered Accountants, Kanpur



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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.

AUDITORS' REPORT

As regards Auditors' remarks in their report stating slight delay in payment of statutory dues, it is clarified that the delay in deposit of statutory dues was on account of certain technical/ procedural reasons viz. delay in allotment of requisite registration no. under the Employees' State Insurance Act, 1948; Employees' Provident Fund and Miscellaneous Provisions Act, 1952; etc. which was subsequently made good.

PARTICULARS OF EMPLOYEES

As none of the employees of the Company was in receipt of remuneration in excess of limits prescribed, Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 is not applicable, hence information required under the said Section and the Rules has not been given.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956, the Directors of the Company state in respect of the period ended 31st March, 2007 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 the 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 along with Certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges, forms part of the Annual Report.

ACKNOWLEDGEMENTS

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

Your Directors also wish to place on record appreciation to all the employees for their sincere and dedicated services rendered to the Company and are also grateful to all the shareholders 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 : 31st July, 2007

SHYAM S. SHARMA
Chairman & Managing Director

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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, 2007.

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. The Energy conservation measures taken by the Company are:

- i) Optimum utilization of Steam and Compressed air.
- ii) Installation of variable frequency drive in phased manner.
- iii) Optimisation of process to enhance production.

(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 helped in environment preservation and sustenance.

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

FORM A

A. Power and Fuel Consumption :

Current year
(2006-2007) Previous year
(2005-2006)

1. Electricity

(a) Purchased

Unit (KWH in lakhs)	23.44	(-)
Total amount (Rs. in lakhs)	85.43	(-)
Rate/ KWH (in Rs.)	3.64	(-)

(b) Own Generation

(Through Diesel Generators)

Unit (KWH in lakhs)	57.27	66.52
Unit per Litre of Diesel Oil	3.48	3.39
Cost/ unit (in Rs.)	8.55	7.74

2. Coal

Quantity (in tonnes)	54.00	46.00
Total Cost (Rs. in lakhs)	2.32	1.94
Average rate (Cost per ton) (in Rs.)	4296.30	4217.39

3. Others (Rice Husk)

Quantity (in tonnes)	4695.00	3625.00
Total Cost (Rs. in lakhs)	78.27	45.89
Average rate (Cost per ton) (in Rs.)	1667.09	1265.93

B. Consumption per unit of production :

Production of Polyester products (Kgs. in lakhs)	112.14	92.52
Electricity (in KWH)	0.72	0.72
Coal (in Kgs.)	0.01	0.01
Rice Husk (in Kgs.)	0.41	0.39



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II. TECHNOLOGY ABSORPTION

FORM B

Research and Development (R & D)

1. *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.

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

Improvement in process performance in terms of efficiency and quality.

3. *Future plan of action:*

The Company will continue with its activities in the field of R&D of new products and improvements in existing products.

4. *Expenditure on R & D:*

The expenses involved in in-house research & development carried out in a routine manner are insignificant, 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 :*

During the year the Company has imported Technical Know-how along with Plant & Machinery for the manufacture of Recycled Polyester Staple Fibre for its Rudrapur unit and the unit has started commercial production.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company is presently exporting its products to various countries which mainly include Nepal, Bangladesh, Malayasia, etc. It has a constant watch on the developments in the global Textile Industry and as and when any opportunity emerges, steps are taken to capitalize upon the same. The Company's representatives visit the overseas customers and markets and also participate in various trade fairs concerning Textile Industry/ products organized abroad. Recently the Company has started making exports to some European countries.

The details with regard to Foreign Exchange earnings and out go are as under :

	Current year (2006-2007)	(Rs. in Lacs) Previous year (2005-2006)
A) Foreign Exchange earnings	957.61	863.97
B) Foreign Exchange outgo		
1. Import of – Raw Materials	135.61	196.80
– Capital Goods	377.20	2.07
2. Expenditure on – Travelling	1.69	3.76
– Others	6.40	0.50

For and on behalf of the Board

Place : Kanpur
Date : 31st July, 2007

SHYAM S. SHARMA
Chairman and Managing Director

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MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure & Development :

India is a country with rich design and textile heritage. The Textile Industry occupies a unique place in our country, as a self-reliant industry, from the production of raw materials to the delivery of finished products, with substantial value addition at each stage of processing. One of the earliest to come into existence in India, it accounts for 14% of the total Industrial production, contributes to nearly 30% of the total exports and is the second largest employment generator after agriculture.

The textile sector in India is showing renewed enthusiasm. The textile sector, which was considered as a 'sunset sector' earlier, has emerged as a sunrise sector within the last three years because of the continued government support. The sector has attracted more than Rs. 64,000 crore investments within these three years. The man-made fibre sector is likely to be a substantial beneficiary of this trend, given the multi-functional quality of polyester, firm cotton prices and better affordability and acceptance of man-made fibre products.

Government is taking initiatives to recognize the Textile industry as a key thrust area. In the Union Budget 2006-07, the excise duty on all man-made fibres and yarns was reduced from 16% to 8%. In order to further encourage this industry, in the Union Budget 2007-08, the customs duty on polyester fibres and yarns has been reduced from 10% to 7.5%. Consequently, the customs duty on raw materials such as DMT, PTA and MEG will also be reduced from 10% to 7.5%. As the world trade barriers are progressively dismantled and the global markets open further, India and China have become the global hubs for the production of Polyester Fibre and Yarn, contributing over 65% of global capacity.

Opportunities and Threats:

Indian economy, an emerging economic power on the global map, is in the take-off stage of its economic growth. In a robust demonstration of its nascent strength, the Indian economy has achieved a GDP growth of 9% in 2005-06 and 9.2% in 2006-07. The financial year 2006-07 presented the Company and the entire textile industry with significant opportunities and challenges in both domestic and global markets. In the domestic market, the Company benefited from a buoyant demand scenario, aided by strong performance of the economy. Export markets too, were upbeat with moving out of high-cost capacities from the developed economies. On the other hand, there were greater challenges in maintaining competitiveness and quality, as fuel prices continued to be an all time high and appreciation in Rupee eroded the margins.

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. The opportunities are substantial, as strong GDP growth and emergence of a large middle class segment signals enhanced buying power which will fuel the further growth of Polyesters.

The Company's products are well accepted in the domestic as well as export market. Stringent controls involving methods to check quality and a highly competent technical team ensures that all products maintain the highest standards.

Segment-wise Performance :

Segment	Total Revenues		PBIT	
	2006-07	2005-06	2006-07	2005-06
Yarn	2386.38	2021.55	324.13	296.32
Fibre	3881.87	3178.23	520.77	446.63

The export sales during the year 2006-07 recorded a jump of 10.84% over the previous year.

Outlook :

The textile industry is striving hard to improve quality, productivity and efficiency and introducing global benchmark with the support of modern technology. The entrepreneurs and existing players are expanding capacities and adopting strategies addressed to growing consumer class. The textile industry in India is poised for further growth, expected to be rapid and massive, in anticipation of which the Company has set up a new unit with the capacity of 7200 TPA for manufacture of Regenerated Polyester Staple Fibre (RPSF) at Pantnagar, Uttarakhand, which has commenced production during the year.

The Company is confident of leveraging its consolidated and modern operations as well as the goodwill that it enjoys in the domestic and global markets for a better performance in 2007-08. Hence, our outlook for the next financial year is optimistic.

Risk and Concerns :

Textile is a global industry that is subject to various uncertainties and adversities including amendment in Government policies and regulations and also the international demand-supply situation.

Risk Management:

Risks in the Company are managed by the Managing Director and the Departmental Heads of the Company on daily basis through cross functional involvement and intense communication across business. The Risk Management commences with the preparation of the Long Term and Annual Business Plans and managing the performance of the business in conformity with the above plans.

The Company reviews, monitors and manages risk under the following broad categories:

Strategic Risks: The Management of the Company prepares the long term strategic plans taking into account the long term objectives of the Company and periodically reviews the same keeping in view the global textile industry.

Business and Operational Risks: A suitable Internal Audit Function at the corporate level carries out risk- focused audits across all businesses, enabling identification of areas where risk management processes may need to be improved.

The Company has taken appropriate insurance cover to insure all its operating assets against property damage, losses due to fire and allied perils.

Financial Risks: The Company endeavours to pursue the following long-term financing objectives as part of its Strategic Plan:

1. Raising cost efficient funds for the growth plans of the Company.
2. To comply with the expectations of various lenders in terms of financial covenants.

Statutory Compliance: The Board obtains a confirmation of compliance with the applicable laws and statutory requirements from the various departmental heads of the Company, on quarterly basis and reviews the same. The Compliance Officer of the company ensures compliance with SEBI Regulations, provisions of the Listing Agreement and all the relevant Corporate Laws.

Internal Control Systems and Their Adequacy:

The Company has a strong and adequate internal audit and control system to ensure that all transactions are authorized, recorded and reported correctly. The internal control system consists of comprehensive internal and statutory audits. The Company has an Audit Committee which continuously reviews the adequacy and efficacy of the internal controls.

Financial & Operational Performance:

Please refer the Directors' Report.

Human Resources:

People at GPL have been the key driver of its growth and performance and remain its most valuable asset. Over the years, the Company has built and benefited from a pool of talented individuals with a shared value system. Industrial relations continued to be cordial during 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 and 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, 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.



GANESH POLYTEX LTD.

CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Corporate Governance is an integral element of the Company's value system, management ethos and business practices. Our Corporate Governance practices are driven by strong Board oversight, timely disclosures, transparent accounting policies and high levels of integrity in decision making. The Company believes that good Corporate Governance practices enable the Management to direct and control the affairs of a company in an efficient manner and to achieve its ultimate goal of maximizing value for all its stakeholders.

2. BOARD OF DIRECTORS

A. Composition of present Board of Directors, attendance at Board Meetings, at last AGM and details of Membership of Other Boards / Committees :

The Board has an optimum combination of Executive and Non-Executive Directors as per the Corporate Governance requirements. The composition of the Board of Directors and other relevant details for the year 2006-07 are as under :

Name of the Director	Category	No. of Board Meetings Attended	Whether present at the last Annual General Meeting	No. of Boards/Committees of Public Limited Companies (including Ganesh Polytex Ltd.)		
				Directorship	Committee (only Audit committee & Shareholders' Grievance committee)	
					Member	Chairman
Mr. Shyam S. Sharma	Promoter Executive Director	10	Yes	1	1	Nil
Mr. Sharad Sharma	Promoter Executive Director	10	Yes	1	1	Nil
Mr. Vishnuddt Khandelwal	Promoter Non-Executive Director	10	Yes	1	1	1
Mr. S. K. Kabra	Non-executive/Independent Director	3	No	3	1	Nil
Mr. Anoop Gupta	Non-executive/Independent Director	4	Yes	4	Nil	1
Mr. Sandeep Jhavar*	Non-executive/Independent Director	N.A.	N.A.	1	1	Nil
Mr. Brij Mohan Agarwal**	Non-executive/Independent Director	8	No	2	2	Nil
Mr. Pradeep Kumar Goenka***	Non-executive/Independent Director	5	Yes	6	3	2

* Ceased to be member of the Board on 03.04.2006 due to resignation.

** Inducted as an Additional Director on 29.05.2006 and as Director on 26.09.2006.

*** Inducted as an Additional Director on 29.07.2006 and as Director on 26.09.2006.

B. Details of Board Meetings held during the year :

During the financial year 2006-2007, ten Board Meetings were held. The details of which are given hereunder :

Date of Board Meeting	Board Strength	No. of Directors present
29.05.2006	6	4
26.06.2006	6	5
29.07.2006	7	5
12.08.2006	7	5
30.10.2006	7	7
01.12.2006	7	4
15.01.2007	7	4
30.01.2007	7	5
21.02.2007	7	6
28.03.2007	7	5

3. AUDIT COMMITTEE

The Company has an Audit Committee, which was reconstituted in the Board meeting held on 29.07.2006 & 12.08.2006. As on 31.03.2007, the Committee consisted of five directors viz., Mr. Anoop Gupta, Mr. S.K. Kabra, Mr. V.D. Khandelwal, Mr. Pradeep Kumar Goenka and Mr. B.M. Agarwal. Mr. Anoop Gupta acts as the Chairman of the Audit Committee Meetings.

Mr. Anoop Gupta, Mr. S.K. Kabra and Mr. Pradeep Kumar Goenka are Senior Chartered Accountants. Mr. B.M. Agarwal has professional experience of over 45 years in engineering, finance and HRD and Mr. V.D. Khandelwal also has accounting and financial management experience.

The terms of reference of the Audit Committee are in conformity with the requirements specified in Clause 49 of the Listing Agreement with Stock Exchanges and also comply with the requirements of Section 292A of the Companies Act, 1956.

Brief description of terms of reference :

To oversee the Company's financial reporting process, to review Directors' Responsibility Statement, changes, if any, in accounting policies and reasons for the same, qualifications in the draft audit report, performance of statutory and internal auditors, reports of the company's internal auditors, cost auditors and financial statements audited by the statutory auditors and also to review the information relating to Management Discussion and Analysis of financial conditions and results of operations, statement of significant related party transactions, management letter(s) of internal control weaknesses, if any, issued by statutory auditors, appointment, removal and terms of remuneration of internal auditor.

During the financial year ended 31st March, 2007, five Audit Committee Meetings were held on 3rd May 2006, 26th June 2006, 29th July 2006, 30th October 2006 and 30th January 2007. Chief Finance Officer, Head of Internal Audit and the Statutory Auditors were invited to be present at the Audit Committee Meetings. The Cost Auditors appointed by the Company under Section 233B of the Companies Act, 1956 were also invited to attend the Audit Committee Meetings.