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GUMMADI INDUSTRIES LIMITED

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For GUMMADI INDUSTRIES LTD.

MANAGING DIRECTOR/ DIRECTOR

THIRTEENTH ANNUAL REPORT
2006 - 2007

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ANNUAL REPORT 2006 - 2007

Directors	:	Mr. K.B. Srinivasan Mr. John F. Aasen Mr. T.M. Narasimhan Mr. V. Srinivas Mr. Gummadi J. Satyanarayana
Managing Director	:	Mr. V. Madhava Rao
Auditors	:	M/s. Subramanian & Swaminathan Chartered Accountants, Chennai.
Bankers	:	ICICI Bank Ltd.
Registered Office	:	No.29 & 30, CBI Colony, 5th Main Road, Lakshmanan Nagar, Kandanchavadi, Chennai - 600 096.
Factory	:	Plot Nos.A-71, B-87, 88, 96 & 97 Sedarapet Industrial Estate, Sedarapet, Pondicherry - 605 101.

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GUMMADI INDUSTRIES LIMITED

NOTICE

To

The Members

Notice is hereby given that the Thirteenth Annual General Meeting of the Company will be held on Saturday the 29th September 2007 at 10 a.m. at the Registered Office of the Company at No.29 & 30, CBI Colony, 5th Main Road, Lakshmanan Nagar, Kandanchavadi, Chennai - 600 096 to transact the following business:

As Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March 2007 and Profit & Loss account for the Year ended 31st March 2007 and the Report of the Auditors and Report of Directors attached thereto.

2. To appoint a Director in place of Mr. J. Satyanarayana who is retiring by rotation and being eligible, offers himself for reappointment.

3. To appointment auditors M/s. Subramanian & Swaminathan, Chartered Accountants who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and fix their remunerations.

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy and to vote on a Poll in his behalf. Such proxy need not be a member of the company.

2. The proxy form should be deposited at the Registered Office of the Company duly completed and signed not later than 48 hours before the commencement of the meeting.

3. Member/proxies should bring the attendance slip sent herewith duly filled in for attending the meeting. Only member/proxies will be admitted into the meeting.

4. Member desirous of obtaining any information concerning the accounts or operations of the Company are requested to send in their queries at least 10 days before the date of the meeting so that information required by the members may be made readily available at the meeting.

5. Members are requested to bring their copies of Annual Report while attending Annual General Meeting.

By order of the Board
For **GUMMADI INDUSTRIES LIMITED**
V. MADHAVA RAO
Managing Director

Place : Chennai
Date : 01.09.2007

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DIRECTORS' REPORT

To

The Members

The Board of Directors of the Company is pleased to present the Eleventh Annual Report of the Company together with audited statement of accounts for the financial year ended 31st March 2007.

FINANCIAL RESULTS

Summarised financial results for the year ended 31st March 2006 are as under:

	2006-2007 (Rs. in lacs)	2005-2006 (Rs. in lacs)
Income	22.50	-
Profit before Depreciation and taxation	(40.31)	(50.92)
Less Depreciation	0.89	0.89
Loss before tax	(41.21)	(51.81)
Provision for tax	-	-
Loss for the year	(41.21)	(51.81)

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Your Company has registered a turnover of Rs.0.00 lacs as against NIL during 2005-2006. The loss for the year was Rs.41.21 lacs as against Rs.51.81 lacs in the last year.

Your Company is potentially sick within the meaning of subsection (1) of Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985. However, the company is taking every steps to turnaround in this current financial year.

The company has implemeted one time settlement with bankers ICICI Bank by obtaining funds from directors.

LAY OFF

For the last few years, our industry have been running with much difficulty in the midst of severe business competition and a considerable dip in the demand for our products due to high Competitive Markets. The company is running under recurring Losses. The Board of Directors of the company is taking all sincere efforts to revive the working of the factory and to make it economically viable. Due to continued depressed market conditions and labour unrest, the company had no other alternative but to opt for lay-off on and from 4th December 2002. Our Management is taking every step in restarting the business after due consultation with our Bankers as well as the Labourers.

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DIVIDEND

In view of the loss during the year under review and the carried forward losses of previous years no dividend is proposed for the year.

DEPOSITS

The Company has no deposits.

DIRECTORS RESPONSIBILITY STATEMENT

Your Directors confirm that :

1. In the preparation of accounts for the period ended March 31, 2007 the applicable Accounting Standards had been followed and there are no material Departments.
2. The selected accounting policies are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the year end of the profit and loss of the Company for the year and these policies are applied consistently.
3. Proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for prevention and detection of fraud and other irregularities.
4. The accounts for the year March 31, 2007 are on a going-concern basis.

AUDITORS

M/s Subramanian and Swaminathan. Chartered Accountants, Chennai retire at the conclusion of ensuing Annual General Meeting and are eligible for reappointment to hold office till the conclusion of the next Annual General Meeting at a remuneration to fixed by the Board.

Regarding Auditors' qualifications [clauses (f) to (j)], in their main audit report and clauses (ix), (x) and (xi) in their report under Manufacturing and Other Companies (Auditor's Report) Order 1988, your Directors wish to state that:

a) The company is very confident of lifting the lay off very soon and the cessation of activities for about a year's time does not necessarily indicate to permanent closure of the factory. The company has been interacting with the representatives of the labour and is hopeful of a meaningful agreement, very shortly.

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b) The Company is hopeful of recovery of its sundry debtors and loans & Advances.

c) The auditors' comments about accumulated losses exceeding 50% of Company's networth and its rehabilitation package with its bankers are self explanatory.

d) Due to suspension of operations, the company is not able to repay principal and interest payments to its loan creditors. The company will negotiate for waiver of interest.

OTHER INFORMATION

1. **Foreign Collaboration and Technology Absorption**

As production level were low for substantial part of the year, the technology received from collaborators M/s Nordic has not been fully absorbed during the year.

2. **Conservation Energy**

(a) **Electricity**

Units Consumed (kwh)	NIL
Amount (Rs)	NIL
Quantity Produced (kgs)	NIL
Consumption per kilo of output	N.A.

(b) **Diesel**

Consumed (ltrs)	NIL
Amount (Rs)	NIL

No captive power was generated.

3. **Foreign Exchange**

The Foreign Exchange inflow and outflow of the company for the financial year 2006-2007 is as given below:

Inflow	:	Nil
Outflow	:	Nil
Raw material Import	:	Nil

4. **Personnel**

During the year under review there were no employees drawing remuneration in excess of the limits prescribed under Section 217 (2A) of the Companies Act, 1956.

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CORPORATE GOVERNANCE

The Stock Exchange has by an amendment added Clause-49 to the Listing Agreement incorporating a code of corporate governance at the directive of the Securities and Exchange Board of India (SEBI). The features of the code were required to be implemented by all Companies in a phased manner. Accordingly, your company was required to implement the guidance by 31st March 2007. Your company has complied with majority of the mandatory requirements of the corporate governance. A report on the corporate governance in the format prescribed in the Listing Agreement is given below:

1. Company's Philosophy on code of Governance :

Your company firmly believes in transparency in its dealings and lays emphasis on the integrity and regulatory compliances. Your company considers good corporate governance, a prerequisite for meting the needs and aspirations of its shareholders and other shareholders in the company. With this end in view this year's annual report has made substanatial disclourses on the Board, the Board Committees as also on the financial and the stock performance.

2. Board of Directors

The Board is headed by a non executive Chairman, Mr. K.B. Srinivasan and is composed of the directors named hereunder:

Director	Status	Board Meetings Held	Board Meetings Attended	Last AGM Attended	Board (Other Board	Membership Companies) Committees
Mr.V. Madhava Rao	Managing Director	4	4	YES	3	NONE
Mr.V. Srinivas	Director	4	4	YES	3	NONE
Mr.T.M. Narasimhan	Director	4	4	YES	1	NONE
Mr.K.B. Srinivasan	Chairman	None	None	NO	3	NONE
Mr. Gummadi J. Satyanarayana	Director	None	None	NO	1	NONE
Mr. John F Aasan	Director	None	None	NO	1	NONE

The last AGM was held on 30th September 2006.

3. Board Committees

(a) Audit Committee

The audit committee consists of following two non-executive directors:

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Mr.V.Srinivas

Mr.T.M.Narasimhan

The brief description of the terms of reference of the audit committee is :

To review the Statutory Auditor's report on the financial statements.

To generally interact with Statutory Auditors.

To review weaknesses in the internal control procedures.

To select and establish accounting policies an review the same.

(b) Remuneration Committee

The remuneration committee consists of following two non-executive directors:

Mr.V.Srinivas

Mr.T.M.Narasimhan

The brief description of the terms of reference of the remuneration committee is:

i) to determine on behalf of the Board the Company's policy on specific remuneration package to MD.

ii) to avoid conflict of interest and to review and suggest to the Board and to the members the remuneration payable to MD.

One meeting of this committee was held on 10.3.2007 wherein both the members were present.

Company does not have a scheme for grant of stock options either to the Managing Director or to the employees.

(c) Sharetransfer/Investors Grievance Committee

The share transfer function has been delegated to the Mr.V.Srinivas of the Company, who looks after the share transfers. The Shareholders/Investors Grievance Committee consists of following two Directors :

Mr.V.Srinivas

Mr.T.M.Narasimhan

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