

Himatsingka Seide

ANNUAL REPORT

2006-07

Propelling Integration + Driving Growth

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We are at an inflection point
in the evolution of our Company.



From India's largest manufacturer of high-end silk fabric to an emerging frontrunner in the bed linen segment, Himatsingka Seide is rapidly establishing global leadership in home textiles through diversified product offering.

Notice

Himatsingka Seide Limited

NOTICE IS HEREBY GIVEN THAT the Twenty second Annual General Meeting of the Company will be held as scheduled below:

Day	:	Wednesday
Date	:	September 26, 2007
Time	:	3.30 P. M.
Place	:	Hotel The Grand Ashok, Kumara Krupa Road, High Grounds, Bangalore 560 001

to transact the following business :

As Ordinary Business:

1. To consider and adopt the Profit and Loss Account of the Company for the Financial Year ended March 31, 2007, the Balance Sheet as at that date, and the Reports of the Directors and Auditors thereon.
2. To declare dividend for the financial year ended March 31, 2007.
3. To elect a Director in place of Sri. A. K. Dasgupta, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To elect a Director in place of Sri. Rajiv Khaitan, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

As 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 the provisions of Section 94 and other applicable provisions, if any, of the Companies Act, 1956, and pursuant to provisions of Article 48 of the Articles of Association of the Company, the authorised share capital of the Company be increased from Rs. 50,00,00,000/- (Rupees Fifty Crores only) divided into 10,00,00,000 (Ten Crores only) equity shares of Rs. 5/- (Rupees Five) each to Rs. 52,00,00,000/- (Rupees Fifty Two Crores only) by creation of additional 40,00,000 (Forty Lakhs) Equity shares of Rs. 5/- (Rupees Five) each ranking in all respects *pari passu* with the existing equity shares in the Company."

"RESOLVED FURTHER THAT consequential amendments be made to the Memorandum of Association of the company so that the first sentence of Clause V thereof shall henceforth read as under:

- V. The Authorised Share Capital of the company is Rs. 52,00,00,000/- (Rupees Fifty Two Crores only) divided into 10,40,00,000 (Ten Crore Forty Lakhs) Equity Shares of Rs. 5/- (Rupees Five) each."

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

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and all other applicable provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and subject to provisions of Chapter XIII of the Securities and Exchange Board of India (SEBI) (Disclosure and Investor Protection) Guidelines, 2000 (SEBI (DIP) Guidelines), as in force and subject to applicable provisions of the rules, regulations and guidelines of SEBI and enabling provisions of the Memorandum and Articles of Association of the Company and the Listing agreements entered into by the Company with Stock Exchanges where the equity shares of the Company are listed, and subject to requisite approvals, consents, permissions and/or sanctions, if any, of the SEBI, Stock Exchanges and all other appropriate authorities and subject to such conditions as may be prescribed by any of them while granting any such approval, consent, permission and/or sanction and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any committee which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this resolution), the Board be and is hereby authorised to create, offer, issue and allot, from time to time, in one or more tranches, upto 58,00,000 warrants on a preferential basis to Promoters/Promoter Group of the Company entitling the holder of each warrant to apply for and obtain allotment of one equity share against such warrant (hereinafter referred to as the "Warrants") in such manner and on such price, terms and conditions as may be determined by the Board in accordance with the SEBI (DIP) Guidelines or other provisions of the law as may be prevailing at the time; provided that the minimum price of the Warrants so issued shall not be less than the price arrived at in accordance with provisions of Chapter XIII of SEBI (DIP) Guidelines."

"RESOLVED FURTHER THAT the relevant date for the preferential issue of Warrants, as per the SEBI (DIP) Guidelines, as amended up to date, for the determination of applicable price for the issue of the above mentioned Warrants will be 30 days prior to the date of this Annual General Meeting i.e. August 27, 2007."

"RESOLVED FURTHER THAT the equity shares allotted on conversion of warrants in terms of this resolution shall rank *pari passu* in all respects with the existing fully paid up equity shares of face value of Rs. 5/- each of the Company subject to the relevant provisions contained in the Articles of Association of the Company."

"RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorised on behalf of the Company to take all actions and do all such deeds, matters and things as it may, in its absolute discretion, deem necessary, desirable or expedient to the issue or allotment of aforesaid warrants and listing of the Equity Shares on conversion with the stock exchange(s) as appropriate and to resolve and settle all questions and difficulties that may arise in relation to the proposed issue, offer and allotment of any of the said warrants, utilisation of the issue proceeds and to do all acts, deeds and things in connection therewith and incidental thereto as the Board in its absolute discretion may deem fit, without being required to seek any further consent or approval of the members or otherwise to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers conferred by this resolution on it, to any Committee of Directors, any other Director(s) or officer(s) of the Company to give effect to the aforesaid resolution."

Registered Office:
10/24, Kumara Krupa Road
High Grounds
Bangalore 560 001

Date: August 22, 2007

By order of the Board
for Himatsingka Seide Ltd.

Amit Jain
Company Secretary

Notes:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE MUST REACH THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR THE MEETING.**
2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
3. The Register of members and share transfer books of the Company shall remain closed from September 21, 2007 to September 26, 2007 (both days inclusive).
4. Members desiring any information as regards accounts are requested to write to the Company at an early date so as to enable the management to keep the information ready.
5. The Company has already transferred, unclaimed dividend declared upto the financial year ended March 31, 1995 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to the Central Revenue Account of the Central Government) Rules. Those shareholders who have so far not claimed or collected their dividend upto the aforesaid financial year may claim their dividend from the Registrar of Companies, Karnataka, 2nd Floor, E Wing, Kendriya Sadan, Koramanagala, Bangalore 560 034.

Unclaimed 2nd Interim dividend of 1999-00 and Interim dividend 2000-01 have been transferred to the Investor Education and Protection Fund. The unclaimed final dividend for the year 2000-01 is due for transfer to the Investor Education and Protection Fund on October 22, 2008. Members who have not encashed the dividend warrant/s for the said dividend are requested to immediately forward to the Company the said Dividend Warrant/s for cancellation and issue of demand draft/s in lieu thereof. In case the said Dividend Warrant/s has/have been lost or misplaced or not received by any member for any reason whatsoever, such member may please apply for issue of demand drafts in lieu thereof. Members may note that after the dividend is transferred to the Investor Education and Protection Fund, members will lose their right to claim such dividend. Members who have not encashed the dividend warrant/s for the dividends declared after the above mentioned dividend may claim the same in a similar manner.

6. Members are requested to notify immediately any change of address to Company/Registrars (for shares held in physical form) and Depository Participants (for shares held in dematerialised form).

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Amit Jain
Company Secretary

Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956:

Item No. 6

It is proposed to increase the authorised capital to accommodate the equity shares arising out of the conversion of the proposed preferential issue of convertible warrants. Consequential amendment is proposed in the capital clause of the Memorandum of Association.

Amendment of the authorised share capital of the Company requires the approval of the Company in a general meeting through an ordinary resolution.

A copy of the existing Memorandum and Articles of Association together with the proposed alteration thereto is available for inspection by the Members at the Registered Office of the Company between the business hours on any working day and will be available for inspection at the forthcoming Extraordinary General Meeting.

The Directors recommend the Resolution for adoption.

None of the Directors are interested in the resolution.

Item No. 7

The Company has been pursuing various growth opportunities. As part of its growth strategy, the Company has set up a new state of the art greenfield project for manufacturing bed linen products at Hassan SEZ, Karnataka, where the trial runs have already commenced. As part of the inorganic growth strategy, the Company acquired a 70% equity stake in Giuseppe Bellora SpA, Italy, a luxury Italian bed linen brand. The Company through its wholly owned US subsidiary also acquired a 80% equity stake in Divatex Home Fashions Inc., New York, the third largest distributor of bed linen products in United States.

To augment the long term resources of the Company for embracing future inorganic growth opportunities as well as for meeting the fund requirements of existing and new businesses and for general corporate purposes, it is proposed to issue, on a preferential basis upto 58,00,000 warrants to the Promoters/Promoter Group in accordance with the provisions of Chapter XIII of Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000, entitling the warrant holders to apply for in one or more tranches equivalent number of fully paid up equity shares of the Company.

The issue of equity shares arising through the issuance of warrants will be at a price, equal to:

- i. The average of the weekly high and low of the closing prices of the Company's shares quoted on the stock exchange during the six months preceding the relevant date;

OR

- ii. The average of the weekly high and low of the closing prices of the Company's shares quoted on a stock exchange during the two weeks preceding the relevant date;

whichever is higher, subject to a minimum issue price of Rs. 130/-.

The relevant date for the purpose of determining the issue price of the resultant equity shares which will be allotted against warrants shall be August 27, 2007, being the date which is 30 days prior to the date on which the general meeting is held.

'Stock exchange' means any of the recognised stock exchanges in which the shares are listed and in which the highest trading volume in respect of the shares of the company has been recorded during the preceding six months prior to the relevant date.

An amount equivalent to 10% of the issue price shall be payable on subscription to the warrants.

The warrant holders shall be entitled to apply for and be allotted, in one or more tranches, one equity share of the face value of Rs. 5/- each of the Company per warrant, any time within 18 months from the date of issue of such warrants. Upon exercise of the right to apply for equity shares, the warrant holders will be liable to make the payment of the balance amount, being 90% of the issue price. The amount paid will be adjusted/set off against the issue price of the resultant equity shares. The Board (or a Committee thereof) upon receipt of the entire payment towards the issue price, shall allot one equity share per warrant. If the entitlement against the warrants to apply for the equity shares is not exercised within the specified period of 18 months, such entitlement shall lapse and the amount paid for subscribing to such warrants shall stand forfeited.

The warrant holders shall be entitled to future bonus/rights issues(s), if any, of the equity shares or other securities convertible into equity shares by the Company in the same proportion and manner as any other shareholder of the Company and also the Company shall reserve proportion of such entitlement for the warrant holders.

The warrants issued on the preferential allotment basis shall be subject to lock-in of three years from the date of allotment. The lock-in on the shares allotted on exercise of the option attached to the warrants shall be reduced to the extent the warrants have been already locked-in. However the locked-in warrants/equity shares shall be transferred to and amongst the Promoters/Promoter Group subject to continuation of lock-in in the hands of the transferee for the remaining period.

The other information prescribed under the Guidelines is as follows:

- i. Objects of the issue: To augment the long term resources of the Company for embracing future inorganic growth opportunities as well as for meeting the fund requirements of existing and new businesses and for general corporate purposes
- ii. Intention of Promoters/Directors/Key Management persons to subscribe to the offer: Letters of Intent from the proposed allottees, mentioned below, agreeing to subscribe to the offer have been received. In the event any of the warrants remaining unsubscribed by the proposed allottees for any reason whatsoever, the same will be allotted by the Board at its absolute discretion to any other entity owned and controlled by the Promoter Group. No warrants are being offered to Key Management persons.

iii. Shareholding pattern before and after the offer:

The shareholding pattern before and after the preferential issue considering full allotment of equity shares arising out of the issue of the warrants is given below:

Category of Shareholders	Pre Offer		Post Offer	
	Total No. of Shares	%age of Total Voting Rights	Total No. of Shares	%age of Total Voting Rights
Promoters and Promoter Group	49,130,177	50.424	54,930,177	53.210
Institutions	25,140,656	25.803	25,140,656	24.353
Bodies Corporate	3,125,505	3.208	3,125,505	3.028
Non-Resident Indians/Overseas Corporate Bodies	1,389,952	1.427	1,389,952	1.346
Resident Individuals	18,049,563	18.525	18,049,563	17.484
Shares held by custodians and against which depository receipts have been issued	260,000	0.267	260,000	0.252
Others	337,307	0.346	337,307	0.327
Total	97,433,160	100.000	103,233,160	100.000

Note : The shareholding pattern before the offer is given as on August 17, 2007

- iv. Proposed time within which the allotment shall be complete: The allotment and despatch of the warrants in terms of the Resolution set out in the accompanying Notice shall be completed within 15 days from the date of passing of the Resolution as prescribed under the Guidelines.
- v. The identity of the proposed allottees and the percentage of the post preferential issue capital that may be held by them: The proposed allottees belong to the Promoter Group and the post preferential issue capital that may be held by them are as mentioned below. It is assuming full subscription to equity shares proposed to be allotted upon exercise of right attached to the warrants.

Name of the proposed Allottees	No of Warrants proposed to be issued	Post Conversion Holding
Ajoy Kumar Himatsingka	583,000	2.749%
Ajoy Kumar Himatsingka (HUF)	231,000	1.345%
Leela Devi Himatsingka	423,000	2.015%
Aditya Himatsingka	231,000	2.597%
Ranjana Himatsingka	308,000	1.699%
Awdhan Trading Company Limited	231,000	3.840%
Dinesh Kumar Himatsingka	1,067,000	8.571%
Dinesh Kumar Himatsingka (HUF)	581,000	3.661%
Rajshree Himatsingka	885,000	4.141%
Shrikant Himatsingka	500,000	3.550%
Orient Silk Private Limited	77,000	2.480%
Aditya Resources Limited	202,000	3.026%
Priya Resources Limited	202,000	2.866%
Credit Himatsingka Private Limited	279,000	0.978%

The Auditor's certificate certifying that the issue of the warrants is being made in accordance with the Guidelines will be laid before the general meeting.

The equity shares arising out of the issue of warrants pursuant to the Resolution shall rank *pari passu* in all respects with the then existing equity shares of the Company and will be listed on domestic stock exchanges where the equity shares of the Company are presently listed.

Pursuant to the provisions of Section 81(1A) of the Companies Act, 1956, any offer or issue of shares in a company to persons other than the holders of equity shares of the Company or to such holders otherwise than in proportion to the capital paid up, requires prior approval of the shareholders in general meeting by a Special Resolution.

The Directors recommend the Resolution for adoption.

The Directors, Sri. A. K. Himatsingka, Sri. D. K. Himatsingka, Sri. Aditya Himatsingka & Sri. Shrikant Himatsingka, are interested in the resolution to the extent of Equity shares held by them in the Company and the allotment of warrants to them and the conversion to equity shares thereon. None of the other Directors are in any way interested in this resolution.



Additional information on Directors Recommended for Appointment or seeking Election at the Annual General Meeting.

The following paragraphs provide biographical data about the Directors seeking re-election or recommended for appointment as a Director.

Sri. A. K. Dasgupta, Age 71, was appointed as an additional Director of the Company in January 2002. He is Group Advisor (Projects) of the Bombay Dyeing & Manufacturing Co. Ltd. assisting the group in diversified Real Estate and Mixed use developments. He was President & CEO of Gherzi Eastern Limited from 1981 to 2004. Gherzi Eastern Limited is one of the leading textile consultants in our country. He is associated with our Company since inception as a technical consultant. He is a Director of Gherzi Eastern Ltd., Welspun India Ltd., Hotel Leelaventure Ltd., Nowrosjee Wadia & Sons Limited, B. R. T. Limited, Gherzi Eastern Investments Limited, N. W. Exports Limited, Meyco Industrial Machinery Limited, Kalabakan Investments Company Limited, Brit Holdings Limited, Neville Wadia Limited, Perman Project Supports Limited, Damascus Investments & Trading Private Limited, Multitude Trading & Agencies Limited and L & T Bombay Developers Pvt Ltd. He is the member of Investor's Grievance Committee. He is a member of the Remuneration Committee of Welspun India Limited. Mr. A. K. Dasgupta does not hold any shares in the Company.

Sri. Rajiv Khaitan, Advocate, Age 46, has been a Director of the Company since October 1996.

Sri. Rajiv Khaitan is a partner of the law firm, Messrs Khaitan & Co., Advocates, Notaries, Patent & Trade Mark Attorneys. He has vast experience and is specialised on subjects concerning corporate, tax, contracts, real estate and intellectual property laws. He is the Chairman of Investor's Grievance Committee, member of Audit Committee and Investment Committee of the Company. He is a Director of EFD Induction India Limited, Khaitan Consultants Limited, ABC Consolidated Private Limited, an alternate Director of CCA Leisure Private Services Limited and Webb India Limited. He is a trustee in Khaitan & Co., Bangalore Employees Gratuity Fund Trust. Mr. Rajiv Khaitan holds 3200 shares of the Company.