

BOARD OF DIRECTORS

Raghu Mody	Chairman
P. K. Choudhary	Managing Director
Vinay Sarin	Executive Director
V. D. Ingle	Executive Director
Varunn Mody	
Keith M. Robinson	
D. Lawson Lyon	
V. B. Haribhakti	
A. B. Vaidya	
Haigreve Khaitan	Alternate Director to Mr. K. M. Robinson
Amit Goenka	G. M. Finance & Company Secretary

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AUDITORS

Lodha & Co.

SOLICITORS

Khaitan & Co.

BANKERS

Bank of Baroda
Union Bank of India

REGISTERED OFFICE

B-11, Paragon Condominium,
Pandurang Budhkar Marg, Worli,
Mumbai - 400 013.

REGISTRAR & TRANSFER AGENTS

Intime Spectrum Registry Limited,
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (W),
Mumbai - 400 078.

WORKS

Paithan : D-2/1, MIDC Industrial Area.
Bhandara : C-10/1, Bhandara Indl. Area, Gadegaon.
Jalna : C-11, Addl. Jaina Indl. Area.

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Forty Fourth Annual General Meeting of the Company will be held at Baba Saheb Dahanukar Hall, Maharashtra Chamber of Commerce, Industry & Agriculture, Oricon House, 6th Floor, 12, K. Dubhash Road, Fort, Mumbai - 400 001 at 4.00 p.m. on Tuesday, 30th September, 2008 to transact the following business:

ORDINARY BUSINESS

- 1) To consider, approve and adopt the Audited Balance Sheet as at 31st March, 2008 and Profit and Loss Account for the year ended 31st March, 2008 together with the Report of the Directors and Auditors thereon.
- 2) To appoint Director in place of Mr. A.B.Vaidya who retires by rotation and being eligible, offers himself for re-appointment.
- 3) To appoint a Director in place of Mr. Varunn Mody who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

- 5) To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to sections 198, 269, 302, 310 and 311 read with Schedule XIII and other applicable provisions if any, of the Companies Act, 1956, and subject to the approval, if any, as may be necessary, consent of the Company be and is hereby accorded to the re-appointment of Mr.P.K.Choudhary as Managing Director of the Company for a period of 3 years w.e.f 18th March 2008, on the terms and conditions as set out in the Explanatory Statement attached to this Notice, be and is hereby approved, with liberty to the Board of Directors to revise the terms with regard to remuneration, from time to time, within the limits provided for in the said Schedule XIII or any amendment thereof for the time being in force.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorized to take such steps as may be necessary to give effect to this resolution."

Registered Office : B-11, Paragon Condominium,
P. B. Marg, Worli,
Mumbai – 400 013.
Date : 9th May 2008

By Order of the Board of Directors

Amit Goenka
G M Finance & Company Secretary

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 THE PROXY NEED NOT BE A MEMBER. THE PROXY FORM SHOULD BE LODGED WITH THE COMPANY AT ITS REGISTERED OFFICE NOT LATER THAN FORTY-EIGHT HOURS BEFORE THE TIME OF COMMENCEMENT OF THE MEETING.
- 2) The Register of Members and the Share Transfer Books of the Company will remain closed from 24th September, 2008 to 30th September, 2008 (both days inclusive).
- 3) The Company has listed its shares at Bombay Stock Exchange Ltd., National Stock Exchange of India Ltd., and Calcutta Stock Exchange. Listing fees for the financial year 2007-08 has been paid except Calcutta Stock Exchange Association Limited where it has applied for delisting.
- 4) Shareholders are requested to bring their copies of the Annual Report to the Meeting.
- 5) Members who hold the shares in dematerialized form are requested to bring their client ID and DPID numbers for easier identification of attendance at the meeting.
- 6) Queries on accounts and operations of the Company, if any, may please be sent to the Company seven days in advance of the meeting so that the answers may be made available at the Meeting.

ANNEXURE TO NOTICE

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

Directors being proposed for appointment / re-appointment
(information required under Clause 49(VI)(A) of the Listing Agreement).

Mr. A.B.Vaidya aged 68 years, possesses 45 years of rich experience in Banking, Insurance & Realty Sector. He does not hold any shares in the Company.

Mr. Varunn Mody aged 24 years, is a young entrepreneur. He holds 150 shares in the Company.

Mr. P.K.Choudhary, aged 53 years is a Chartered Accountant and Company Secretary is associated with the Company since last 17 years. He has rich experience of 28 years in the field of Finance, Manufacturing and administration. He holds 100 shares in the Company.

ITEM NO.5

Mr.P.K.Choudhary was appointed as Managing Director of the Company on 18th March, 2008 for a period of 3 years.

In terms of Article 132 of the Articles of Association, read with Section 198, 269 and 309 of the Companies Act, 1956 the Board of Directors re-appointed him as Managing Director for a period of 3 years w.e.f 18th March 2008.

- 1. Salary** Rs.54,000/- per month, with an increase which may be decided by the Board of Directors from time to time within the limits, specified in Schedule XIII of the Companies Act, 1956.
- 2. Accommodation** Free furnished accommodation with reimbursement of the cost of electricity, water, gas and maintenance in the premises and reimbursement of the cost of servants, etc; not exceeding Rs.18,200/- per month.
- 3. Motor Car** Provision of motor car with driver.
- 4. Medical** Reimbursement of medical expenses and insurance premium for self, spouse and dependant children, not exceeding Rs.40,000/- per annum.
- 5. Leave Travel Concession** As per rules of the Company's Scheme not exceeding Rs.1,00,000/- per annum.

- 6. Provident and other funds including superannuation and gratuity** As per the rules of the Company's Scheme.
- 7. Personal Accident Insurance** Premium not to exceed Rs.5000/- per annum.
- 8. Club Subscription** Reimbursement of club subscription fees of two clubs.
- 9. Leave Encashment** Encashment of leave accumulation as per the rules of the Company.

The above remuneration to be paid as minimum remuneration in the absence of inadequacy of profits, subject to the provision of Part II of Schedule XIII to the Companies Act, 1956."

In view of considerable gain to the Company by the appointment of Mr.P.K.Choudhary through his expertise and experience, the Directors recommend the Ordinary Resolution for approval of the members.

Except Mr.P.K.Choudhary, none of the Directors are interested in this resolution.

Registered Office :
B-11, Paragon Condominium,
P. B. Marg, Worli,
Mumbai – 400 013.
Date : 9th May 2008

By Order of the Board of Directors

Amit Goenka
G M Finance & Company Secretary

DIRECTORS' REPORT

Your Directors present their Forty Fourth Annual Report together with the Audited Accounts for the year ended 31st March 2008.

1. FINANCIAL RESULTS

	Rs.Lacs Year ended 31st March 2008	Rs.Lacs Year ended 31st March 2007
Net Sales	7158	6587
Profit before interest, depreciation & separation cost:	807	780
Interest (Net)	(411)	(192)
Depreciation (Net)	(328)	(276)
Profit before separation cost and tax	68	312
Employees separation cost	(383)	(779)
Profit / (Loss) before tax	(315)	(467)
Provision for taxation		
- Current (including FBT)	19	18
- Deferred	(135)	(97)
- Tax adjustments related to prior years	-	(26)
Profit / (Loss) after taxation	(199)	(362)

2. DIVIDEND

Although the Company made an operating profit, however, after considering the exceptional item of employees separation cost, a position of net loss has emerged. The Directors do not, therefore, recommend any dividend for the year ended 31st March 2008.

3. PERFORMANCE

The net turnover of the Company has increased by 9% to Rs. 71.58 Crores from Rs. 65.87 Crores in the previous year. However, operating margin remained under pressure, primarily on account of major cost escalation in raw materials and other input costs, which could not be passed on to the customers, due to competitive market conditions. Despite this the gross profit increased from Rs. 780 Lacs to Rs. 807 Lacs with several cost rationalization initiatives. Interest payment during the year was much higher at Rs. 411 Lacs (Rs. 192 Lacs), mainly on account of additional loan taken for employees separation cost. Similarly, provision for depreciation was also higher at Rs. 328 Lacs (Rs. 276 Lacs) because of new investment in fixed assets.

Therefore, after providing for increased Interest & Depreciation, the profit before the extra ordinary item was lower at

Rs. 68 Lacs (Rs. 312 Lacs) and after considering the extra ordinary item relating to employees separation cost of Rs. 383 Lacs (Rs. 779 Lacs), there was loss of Rs. 315 Lacs, as against loss of Rs. 467 Lacs in previous year.

Though, the Paithan Plant of the Company achieved higher turnover, profitability remained under pressure with lower price realization of products, due to highly competitive market conditions.

Performance of the Bhandara Plant was satisfactory with increased production of Industrial Products. The Management has entered into a Productivity Linked Agreement with the Union for a period of 3 years effective from 1st April, 2008.

Working of the Jalna Plant has also improved with increased production of Industrial Textile Products.

The Management is exploring various options to unlock the value of the Company's Ghatkopar property.

Although, market situation remained competitive, the pressure on margins, due to high inflation is expected to be cushioned with upgradation of process technology, improvement in productivity and several cost cutting measures. The Company has identified growth potential in the areas of its entire range of Asbestos-free products. The Company will continue to provide a major thrust towards growth in OEM Business with focus on R & D.

The Company participated at the Auto Expo 2008 at Pragati Maidan, New Delhi, in the month of January 2008. This is rated as the largest exhibition of its kind in Asia. The response from both Domestic & International customers is encouraging.

4. PUBLIC DEPOSITS

There were no deposits at the beginning of the year and the Company did not accept any deposits from the public during the year.

5. PERSONNEL

The information required under Section 217 (2A) of the Companies Act, 1956 is not given as none of the employee was in receipt of remuneration in excess of the limits specified thereunder.

6. CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION

Particulars required under Section 217 (1)(e) of the Companies Act, 1956 relating to conservation of energy and technology absorption are given in an Annexure to this Report

7. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange earning from exports amounted to

Rs. 725 Lacs, of FOB value basis whilst the outgo for raw materials, components and spares amounted to Rs. 597 Lacs.

8. DIRECTORS

Mr. A.B. Vaidya and Mr. Varunn Mody, Directors retire by rotation and being eligible offer themselves for re-appointment.

The Board of Directors have appointed Mr. P.K. Choudhary as Managing Director for a period of 3 years with effect from 18.03.2008, subject to confirmation by Share-holders at the forth coming Annual General Meeting.

9. AUDITORS

M/s Lodha & Co., the Auditors of your Company who hold office until the conclusion of the forthcoming Annual General Meeting, being eligible, offer themselves for re-appointment.

10. CORPORATE GOVERNANCE

As required by the Listing Agreement, the Corporate Governance Report, including Management Discussion and Analysis Report and the Certificate of Compliance from the Auditors, is attached and forms part of this Report.

11. DIRECTORS' RESPONSIBILITY STATEMENT

On the basis of information placed before them, the Directors state that –

- (i) in the preparation of the annual accounts, the applicable accounting standards had been followed alongwith proper explanation relating to material departures;

- (ii) appropriate accounting policies have been selected and applied consistently and made judgements 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 or loss of the Company for that period;

- (iii) proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

- (iv) the annual accounts have been prepared on a going concern basis.

12. ACKNOWLEDGEMENT

The Directors gratefully acknowledges the support and co-operation given by all dealers, distributors, employees, shareholders and bankers and look forward to their continued support.

By order of the Board of Directors

Place: Mumbai

Date : 9th May 2008

RAGHU MODY

Chairman

Additional information as required under Section 217 (1)(e) of the Companies Act, 1956, read with the Rules framed thereunder forming part of the Directors' Report for the year ended 31st March 2008.

ANNEXURE TO THE DIRECTORS' REPORT

CONSERVATION OF ENERGY

Based on the recommendation of Energy consultancy Firm, the Company has implemented the following Energy conversation programmes.

- Preventing dissipation of heat energy by insulating the Moulding dies & press parts
- Installing OLTC s on Transformer
- Increasing capacitor banks to maintain Power Factor to unity at sustaining level.

R & D

- (1) Specific Areas where R & D being carried out by the company.

- 1.1 Asbestos Free Industrial Roll Linings.
- 1.2 L Type M.G. Coaching Brake Blocks.

- (2) Benefits as results of above R & D :

Additional business with Railways and Export.

- (3) Future Plan of Action.

3.1 Railway Brake Block / Pads for New Applications.

3.2 Disc Brake Pads for Commercial vehicles and Railways.

- (4) Expenditure

- | | |
|-------------------------------|----------------|
| 4.1 Capital | - Rs.57 Lacs |
| 4.2 Recurring | - Rs.56 Lacs |
| 4.3 Total | - Rs. 113 Lacs |
| 4.4 Total as a % of Turnover. | - 1.6% |

- (5) Technical Absorption, adaptation & innovation.

Association with the overseas consultancy firm for technical know-how continues.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

OVERALL REVIEW

Though Indian economy continued to grow in 2007-08, its pace could not be sustained in the later part of the year, primarily because of global slow-down. Meantime, inflation have also increased from 5% to 7.5%. The situation has further aggravated with a surge in international oil prices, which has adversely impacted the cost of all essential raw materials and other inputs, resulting in pressures on margins.

PRODUCTION RANGE

Our Company is engaged in the manufacturing and marketing of fibre based composite materials, consisting of Friction and Sealing products. Friction Materials include Brake Liners, Roll Linings, Clutch Facings, Disc Brake Pads used in Heavy and Light Trucks, Passenger Cars, 2/3 wheelers, off-road-vehicles, Construction & Mining equipment. Composition Brake Blocks are also used by the Railways. Sealing materials include Jointings, Textile and Insulation Board used in automobiles and other industries.

OPPORTUNITIES AND THREATS

With a positive economic environment, the Company has positioned itself for major growth. Technologies and focus on OEM business continue to be a driving force for the Company. Several new products in Asbestos-free segment have been developed at its technology centre. However, with too many small players in the Indian Market, more particularly in the small scale sector, prices have been under constant pressure resulting in lower realization. Increase in essential input costs is again an area of concern. However, this threat is being overcome by constant product upgradation, cost reduction, value engineering and finding new markets both locally and globally.

BUSINESS OUTLOOK

Although, a competitive situation continues in the current year with higher inflation, the Company expects improved results in the coming years with upgradation of process technology, improvement in productivity and several cost cutting measures. The Company has identified growth potential in the areas of the entire range of Asbestos-free products. The Company will continue to provide a major thrust towards growth in OEM Business with focus on R & D.

RISKS AND CONCERNS

The Asbestos based products are being replaced with Asbestos-free products internationally as well as by major customers in India. The Government is also putting stricter control on manufacture and usage of Asbestos based products. While the Company is systematically displacing Asbestos based production with Asbestos free production, a complete transition can be only in a phased manner.

INTERNAL CONTROL SYSTEMS AND ADEQUACY

The Company believes that Internal Control is a necessary concomitant of governance. The Company has effective internal control systems under which Management Reports on key performance indicators and variance analysis are made. Regular Management Committee Meetings are held, where these reports and variance analysis are discussed and action plan initiated with proper follow-up. The Internal Audit function also reviews the execution of all operations to ensure controls are adequate. Operational Reports are tabled at Board Meetings after being discussed in Audit Committee Meetings.

HRD / INDUSTRIAL RELATIONS

The thrust of the Company's human resource development is to create a responsive and market-driven organization with emphasis on performance. Continuous appraisal of the competencies of the personnel in line with job requirements are carried out to provide for necessary training to personnel thereby facilitating higher levels of output and productivity. The relations at Paithan, Bhandara & Jalna are satisfactory.

COMPANY'S FINANCIAL PERFORMANCE AND ANALYSIS

The Company's financial performance and analysis is already discussed in detail in the Directors' Report which forms part of this Annual Report.

CAUTIONARY STATEMENT

The statement in the Management Discussion and Analysis Report cannot be construed as holding out any forecasts, projections, expectations, invitations, offers, etc within the meaning of applicable securities, laws and regulations. This Report basically seeks to furnish information, as laid down within the different headings to meet the Listing Agreement requirements.

AUDITORS' REPORT

To
The Members,
Hindustan Composites Limited.

1. We have audited the attached Balance Sheet of **Hindustan Composites Limited** as at 31st March, 2008, the Profit & Loss Account and also the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (hereinafter referred to as the 'Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph (3) above, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

- c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211(3C) of the Act, to the extent applicable;
- e) On the basis of written representations received from the Directors, as on 31st March, 2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2008 from being appointed as a Director in terms of Section 274 (1)(g) of the Act;
- f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with "Significant Accounting Policies and notes to accounts" appearing in Schedule – 18 and those appearing elsewhere in the financial statements, give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;
 - ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For LODHA & COMPANY
Chartered Accountants

R. P. BARADIYA

Partner

Membership No. 44101

Place: Mumbai

Date: May 9, 2008

ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in paragraph 3 of our report of even date to the Members of HINDUSTAN COMPOSITES LIMITED on the financial statements as at and for the year ended 31st March, 2008

On the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of audit, we state that:

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. There is a phased programme of physical verification of all fixed assets over a period of three years, based on which physical verification of certain fixed assets was carried out during the year which, in our opinion, is reasonable considering the size of the Company and nature of its fixed assets. The discrepancies noticed on such physical verification were not material and the same have been properly dealt with in the books of account. No substantial part of fixed assets was disposed off during the year.
2. a) The inventory has been physically verified by the management at reasonable intervals during the year. Inventory lying with third parties and in - transit is being verified by the management with reference to confirmations or statements of account or subsequent receipt of goods.
- b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification of inventory between the physical stock and book records were not material and have been properly dealt with in the books of account.
3. (a) During the year, the Company has not given any loan, secured or unsecured, to companies, firms, or other parties covered in the register maintained under Section 301 of the Act. Loans outstanding as at the end of previous year were repaid and the terms and conditions were not, prima facie, prejudicial to the interest of the Company.
- (b) The Company has taken unsecured loan from a Company covered in the register maintained under Section 301 of the Act. The maximum amount outstanding during the year was Rs. / Thousand 107,500 (previous year Rs. / Thousand 98,200) and the year end balance is Rs. / Thousand 27,500 (previous year Rs. / Thousand 96,000). The rate of interest and other terms and conditions of loan taken, prima facie, are not prejudicial to the interest of the Company.
4. In our opinion and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources do not exist for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventories and fixed assets and for the sale of goods. During the course of our audit, no major weaknesses have been noticed in the internal control system.
5. (a) According to the information and explanations given to us, we are of the opinion that particulars of contracts or arrangements that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, no transactions have been made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding Rupees Five lacs or more in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits within the meaning of Section 58A, 58AA or any other relevant provisions of the Act and Rules framed thereunder.
7. The Company has an adequate internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the cost records maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Act in respect of Automotive parts and are of the opinion that, prima facie, the prescribed records have been made and maintained. However, we are not required to make a detailed examination of the records with a view to determine whether they are accurate or complete.
9. a) According to the information and explanations given to us and according to the books and records as produced and examined by us, the undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other

material statutory dues as applicable have generally been regularly deposited by the Company during the year with the appropriate authorities and there were no arrears as at 31st March, 2008 for a period of more than six months from the date they became payable.

- b) According to the records of the Company and the information and explanations given to us by the management, the details of disputed statutory dues which have not been deposited are as under:

Name of the Statutes	Nature of Dues	Amount (Rs. in Thousands)	Forum Where Disputed
Central Sales Tax Act, 1956	Sales tax	1,097	Appellate Tribunal, Mumbai.
Income Tax Act, 1961	Income tax	783	C.I.T. (Appeals), Mumbai.

10. The Company does not have accumulated losses as at 31st March, 2008 and has not incurred a cash loss during the financial year ended on that date. The Company had incurred cash loss in the immediate preceding financial year without considering Employees' separation cost.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions and banks.
12. During the year, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi /mutual benefit fund / society. Therefore, clause 4(xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. According to the information and explanations given to us, the term loans were applied for the purposes for which the loans were obtained during the year.
17. According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, in our opinion, the funds raised on short-term basis have, prima facie, not been used for long-term investment.
18. During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any money by way of public issue during the year.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practice in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

For LODHA & COMPANY
Chartered Accountants

R. P. BARADIYA

Partner

Membership No. 44101

Place: Mumbai

Date: May 9, 2008