

18th
Annual Report
2006 - 2007

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For Hytone Textstyles Limited


(Executive Director)

H I - F A S H I O N



S U I T I N G S

HYTONE TEXTSTYLES LIMITED

HYTONE TEXTYLES LIMITED**ANNUAL GENERAL MEETING**

Date : 29th September, 2007
 Time : 10.00 a.m.
 Venue : Plot No. 70, TTC (MIDC) Industrial Area,
 Textile Processing Zone,
 Mahape Village,
 Navi Mumbai-400 709.

BOARD OF DIRECTORS

AMRUT T. SHAH *Chairman & Managing Director*
 PRAFUL K. DEDHIA *Executive Director*
 SANJAY K. GALA *Director*
 DEEPAK C. SHAH *Director*
 DILIP M. KHONA *Director*

SOLICITORS

M/s. PURNANAND & CO.

AUDITORS

Mr. Mulraj D. Gala
Chartered Accountants

BANKERS

Syndicate Bank
 The South Indian Bank Limited
 Canara Bank

REGISTERED OFFICE

Plot No. 70,
 TTC (MIDC) Industrial Area,
 Textile Processing Zone,
 Mahape Village,
 Navi Mumbai - 400 709

WORKS

Plot No. A-77, TTC (MIDC) Industrial Area,
 Thane Belapur Road,
 Khairane Village,
 Navi Mumbai - 400 701

CITY OFFICE

25-C, Gyan Building,
 Ramwadi,
 Kalbadevi,
 Mumbai -400002

Members are requested to bring their copy of Annual Report with them at the Annual General Meeting, as copies of the Report will not be distributed at the meeting.

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HYTONE TEXTYLES LIMITED**NOTICE**

Notice is hereby given that the 18th Annual General Meeting of the Company will be held on Thursday, the 29th September, 2007 at 10.00 a.m. at the Registered office of the Company at Plot No. 70, TTC (MIDC) Industrial Area , Textile Processing Zone, Maphe Village , Navi Mumbai - 400 709 to transact the following business.

ORDINARY BUSINESS:

1. To receive , consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2007 and the Balance Sheet as at that date together with Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Deepak C. Shah, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Dilip M. Khona, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this meeting until conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED that pursuant to Section 269, 198, 309 and all other applicable provisions, if any , of the Companies Act , 1956 , (the Act) (including any statutory modification or re-enactment thereof for the time being in force) and subject to approval of Central Government, as may be required and such other approvals, permissions and sanctions, as may be required and subject to such conditions and modifications, as may be prescribed or imposed by any of the authorities in granting such approvals, permissions and sanctions, approval of the Company be and is hereby accorded to the appointment of **Shri. Amrut T. Shah as a Chairman and Managing Director** of the Company for a period of five years w.e.f. 15th May, 2007 and to the payment of remuneration with basic salary of Rs.28000/- per month in the scale of Rs.28,000/- to Rs.48,000/- more particularly as set out in the Explanatory Statement attached to the notice convening this Annual General Meeting, with liberty to the Board of Directors to alter and vary such terms and conditions including remuneration so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 or any amendments thereto as may be agreed to by the Board of Directors and Shri. Amrut T. Shah during the aforesaid period."

FURTHER RESOLVED THAT where in any financial year during the currency of the tenure of the appointee, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to the Chairman & Managing Director within the limits and including the Central Government approvals wherever required as specified in the Schedule XIII to the Companies Act, 1956 and as may be modified from time to time.

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

"RESOLVED that pursuant to Section 269, 198, 309 and all other applicable provisions, if any , of the Companies Act , 1956 , (the Act) (including any statutory modification or re-enactment thereof for the time being in force) and subject to approval of Central Government, as may be required and such other approvals, permissions and sanctions, as may be required and subject to such conditions and modifications, as may be prescribed or imposed by any of the authorities in granting such approvals, permissions and sanctions, approval of the Company be and is hereby accorded to the appointment of **Shri. Praful K. Dedhia as an Executive Director** of the Company for a period of five years w.e.f. 15th May, 2007 and to the payment of remuneration with basic salary of Rs.28000/- per month in the scale of Rs.28000/- to Rs.48000/- more particularly as set out in the Explanatory Statement attached to the notice convening this Annual General Meeting, with liberty to the Board of Directors to alter and vary such terms and conditions including remuneration so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 or any amendments thereto as may be agreed to by the Board of Directors and Shri. Praful K. Dedhia during the aforesaid period."

FURTHER RESOLVED THAT where in any financial year during the currency of the tenure of the appointee, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to the Executive Director within the limits and including the Central Government approvals wherever required as specified in the Schedule XIII to the Companies Act, 1956 and as may be modified from time to time.

**By Order of the Board
For HYTONE TEXTYLES LIMITED**

Amrut T. Shah
Chairman & Managing Director

Place: Navi Mumbai
Date : 27th August, 2007.

Registered Office :
Plot No. 70 , TTC (MIDC) Industrial Area ,
Textile Processing Zone , Mahape Village ,
Navi Mumbai - 400 709.

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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 OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING
2. Members who hold shares in dematerialised form are requested to bring their DP ID and Client ID numbers for easy identification of attendance at the meeting.
3. Members desirous of getting any information about the accounts of the Company are requested to send their queries so as to reach atleast ten days before the meeting at the company's Registered office at Plot No.70, TTC (MIDC) Industrial Area , Textile Processing Zone , Mahape Village , Navi Mumbai - 400 709.
4. Members are requested to notify immediately any change in their address (with Pincode) , if any , quoting their Folio No.(s) to the Company. In case your mailing address mentioned on this Annual Report is without Pincode , then you are requested to kindly inform your Pincode immediately.
5. Members are requested to bring their copy of the Annual Report to the Annual General Meeting.
6. The Members/Proxies should bring the attendance slip duly filed in for attending the meeting.
7. The common agency for the purpose of transfer of shares in both forms is M/s Intime Spectrum Registry Ltd. C- 13 Pannalal Industrial Estate, Bhandup (W) Mumbai - 400 078.
8. The Company's share capital had been dematerialised under ISIN "INE 926D01012" with NSDL and CDSL. Shareholder who have not dematerialised their shares may opt the same accordingly.
9. The Register of members and the Share Transfer Books of the Company were closed from 28/09/2007 to 29/09/2007 (both days inclusive).
10. Pursuant to Section 205 C of the Companies Act, 1956 the unclaimed dividend for the year 1994-95 had been transferred to the Investor Education and Protection Fund of the Government of India.

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956:

In conformity with the provisions of Section 173(2) of the Companies Act, 1956, the following Explanatory statement sets out all the material facts relating to the items of Special Business at item nos.5 and 6 of the Notice dated 27th August, 2007 and the same should be taken as forming part of the Notice.

ITEM NO. 5 and 6

In terms of the Corporate Governance guidelines and pursuant to recommendation of the Board and Remuneration Committee, the Board of Directors of the Company at their meeting held on 30th April, 2007, re-appointed Mr. Amrut T. Shah - Chairman & Managing Director and Mr. Praful K. Dedhia - Executive Director for a further period of five years with effect from 15th May, 2007 to 14th May, 2012 subject to approval of Central Government and Shareholders at this Annual General Meeting.

This explanatory statement may also be read and treated as disclosure in compliance with the requirements of Section 302 of the Companies Act, 1956.

The details of remuneration payable to Mr. Amrut T. Shah and Mr. Praful K. Dedhia and the terms and conditions of the re-appointment are given below:

Salary :

Rs. 28,000- 5000- 48000 Per Month (in the scale of Rs. 28,000/- per month to Rs. 48,000/- per month)

Commission :

1% of net profit of the Company, in the manner laid down under Section 309 (5) of the Companies Act, 1956, subject to ceiling of 50% of the salary per annum whichever is less.

Perquisites

The Chairman and Managing Director and Executive Director shall be entitled to all the perquisites listed below in addition to the salary and commission mentioned above:

1) Housing :

The Company shall provide rent free furnished residential accommodation with free gas, electricity and water as per Company policy. In case no accommodation is provided by the Company, the Chairman and Managing Director and Executive Director shall be entitled to such house rent allowance as may be decided by the Board of Directors from time to time subject however to a limit of 60% of his salary. The expenditure incurred by the Company on gas, electricity, water and furnishing shall be valued as per the Income Tax Rules, 1962.

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2) Medical Reimbursement :

Reimbursement of medical expenses incurred, including premium paid on health insurance policies, whether in India or abroad, for self and family including hospitalization, surgical charges, nursing charges and domiciliary charges for self and for family.

4) Leave Travel Concession :

For self and family once in a year incurred in accordance with the rules specified by the Company.

5) Club Fees :

Fees of clubs subject to maximum of three clubs.

6) Personal Accident Insurance :

Premium not to exceed Rs. 4000/- p.a.

7) Gratuity :

Gratuity payable shall be in accordance with the provisions of the payment of Gratuity Act.

8) Use of car with Driver:

The Company shall provide the chairman and Managing Director and Executive Director a car with Driver for business and personal use.

9) Servant :

Reimbursement of Servant's salary, subject to a maximum of two servants.

- 10) The Company shall pay or reimburse the Chairman & Managing Director and other Executive Directors all costs, charges, expenses, that may be incurred by them for the purpose of the business of the Company.

Other terms and conditions:

- a) In the event of absence or inadequacy of profits in any financial year during the tenure of the Chairman and Managing Director and Executive Director, salary and perquisites subject to the limits stipulated under schedule XIII read with Section 269 and 309 of the Companies Act, 1956 and also subject to the approval of the Central Government approval wherever required under the applicable Laws.
- b) "Family" means the spouse and dependent children of Mr. Amrut T. Shah and Mr. Praful K. Dedhia.
- c) Leave with full pay and allowance shall be allowed as per the Company's rules.

- d) Reimbursement of entertainment expenses actually and properly incurred in the course of business of the Company shall be allowed.

- e) No sitting fees shall be payable to the Chairman and Managing Director and Executive Director or committees thereof.

- f) Chairman and Managing Director and Executive Director shall not be liable to retire by rotation.

All other existing terms and conditions for the re-appointment shall remain unchanged.

Upon approval by the members, a separate agreement to give effect to the above terms will be executed by and between the Company and Mr. Amrut T. Shah and Mr. Praful K. Dedhia.

Mr. Amrut T. Shah and Mr. Praful K. Dedhia, is concerned and interested in this resolution as it related to their re-appointment and payment of remuneration. No other director is directly or indirectly, interested or concerned in this resolution.

The Board of Directors recommend the passing of the proposed resolution.

The draft agreements between the Company and Shri Amrut T. Shah - Chairman & Managing Director, Shri Praful K. Dedhia - Executive Director is available for inspection by the members of the Company at its Registered Office between 11.00 a.m. to 1.00 p.m. on any working day including the day of Annual General Meeting.

None of the Directors except Shri Amrut T. Shah and Shri Praful K. Dedhia is deemed to be interested / concerned in the resolution.

The Resolution regarding the appointment of Shri Amrut T. Shah as a Chairman & Managing Director, Shri Praful K. Dedhia as an Executive Director and Satish K. Gala as an Executive Director of the Company is commended for acceptance by the members.

By Order of the Board
For HYTONE TEXTYLES LIMITED

Amrut T. Shah
Chairman & Managing Director

Place : Navi Mumbai
Date : 27th August, 2007.

Registered Office :

Plot No. 70, TTC (MIDC) Industrial Area,
Textile Processing Zone, Mahape Village,
Navi Mumbai - 400 709.

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DIRECTORS' REPORT TO THE MEMBERS

Your Directors present their 18th Annual Report on the business and operations of the Company together with the audited Financial Accounts for the year ended 31st March, 2007.

FINANCIAL HIGHLIGHTS

	Year ended 31.03.2007 (Rs. in Lacs)	18 months period ended 31.03.2006 (Rs. in lacs)
Total Revenue	671.39	2889.92
Profit before Interest & Depreciation	(73.68)	(600.61)
Less : Financial Charges	(1.25)	(32.78)
Depreciation	(87.57)	(205.68)
Loss on impairment of assets	-	(735.00)
Profit / (Loss) before prior period & Extraordinary Items	(162.50)	(1574.06)
Less : Prior year items	-	(7.85)
Profit / (Loss) before Tax	(162.50)	(1581.91)
Less : Provision for Taxation (Fringe Benefit Tax)	1.20	3.00
Profit/(Loss) for the year after Taxation	(163.70)	(1584.91)
Balance brought forward from previous year	(2792.90)	(1207.98)
BALANCE CARRIED TO B/S	(2956.60)	(2792.90)

DIVIDEND

In view of losses, the Directors are unable to recommend any dividend.

Operations:

Due to losses suffered by the Company, the operations were affected adversely. The Company is not having sufficient Working Capital to run the business. In view of this the Company is mainly arranging out job work. The profitability of the Company has suffered due to this.

Reference under SICA:

The Company had made reference to BIFR in December 2004 under Section 15 of Sick Industrial Companies (Special Provisions) Act, 1985 ("SICA"). Accordingly case has been registered. The Company has submitted various proposals to Financial Institutions and Bankers for rehabilitation of the Company. The Company was successful in arriving at one time settlement with Canara Bank. Discussion with other bankers and institution along with investors are in progress for working out a suitable rehabilitation proposal.

Management Discussion & Analysis:

a) Industrial Structure and Developments

The textile industry continues to be dominated by the unorganised sectors like power looms and handlooms. The organised composite mill sector in the macro cities has to compete with these unorganised sectors, as well as the organised mills in town other than the macro cities including Mumbai, is facing serious difficulties due to cost escalation mainly in wages, municipal taxes, etc. and water supply charges. Barring metro cities textile industry is still encouraging. The Government recognises the potential of textile industry and is taking a number of steps to improve the competitiveness of this industry in the global market.

b) Opportunities and Threats

Indian textile industry has to compete with determined players like China, Pakistan, Indonesia and Thailand who have all the resources, huge capacities and low costs. The Indian textile industry has to battle against and overcome poor infrastructure, shortage of power and soaring global oil prices. The absence of integrated production facilities is a bottleneck for our industry, which leads to lengthening of lead times, which adds to the total cost of production.

c) Segment wise or Product wise Performance

The Company is presently working on job work basis.

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D) Out Look

Due to appreciating rupee against dollar, exports of textiles and garments are facing major profitability concerns. Government has initiated steps to help industry to overcome these issues, but steps are insufficient because industry needs more support to overcome problems.

E) Risks and threats

Today, the world's focus is on India as the economy is improving. We have to face operational challenges in global trade. To improve our share in the world market our country has to face onslaught from economies with better infrastructure and logistics. China's scale, infrastructure and cost competency give it an edge over other Countries. The emergence of various foreign brands in India also poses a global challenge for the textile industry in India.

F) Internal Control System and its adequacy

The Company has adequate control procedures commensurate with the size of the Company.

h) Human Resources Management

The Company has excellent Human Resources with variety of skill sets appropriate to its business requirement. Industrial relations have been cordial.

Corporate Governance:

The Company has taken the requisite steps to comply with the recommendations concerning the Corporate Governance. The Management Discussion and Analysis Report forms part of this report.

A separate report on Corporate Governance is furnished alongwith this report and a certificate from statutory Auditors regarding compliance of conditions of corporate governance as stipulated under clause 49 of the listing agreement is attached to this report.

Audit Committee:

Audit committee is covering all the areas as provided for in the Companies Act, 1956 as amended and any matter referred to it by Board. Shri Sanjay K.Gala is the Chairman of the committee and Shri Deepak C.Shah

and Shri Dilip M.Khona are other members of the committee.

Directors:

In accordance with the requirements of the Companies Act, 1956 and the Articles of Association of the Company, Mr.Deepak C.Shah and Mr.Dilip Khona will retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for reappointment.

Directors Responsibility Statement

The Board of Director of the Company confirms that:

- i. In preparation of the annual accounts, the applicable accounting standards have been followed. There are no material departures from the applicable accounting standards.
- ii. Appropriate accounting policies have been selected and applied Consistently, and have made judgements and estimates that are Reasonable and prudent so as to give true and fair view of the State of affair of the Company for the year ended 31st March 2007.
- iii. Proper and sufficient care has been taken for the maintenance of adequate accounting record in accordance with the provisions of Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv. The annual accounts have been prepared on a "going concern" basis.

Auditors:

Mr.Mulraj D. Gala, Chartered Accountants retiring auditors, have furnished certificate of their eligibility for re-appointment under Section 224(1-B) of the Companies Act,1956 and have indicated their willingness to continue in this capacity.

Fixed Deposits:

Your Company has not accepted any deposit within the meaning of Section 58A of the Companies Act, 1956, and the rules made thereunder.

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Statutory Disclosure:

There were no employees drawing salary in excess of limits specified under section 217(2A) of the Companies Act, 1956 read with Companies (particulars of employees) Rules, 1975.

Cautionary Statement:

Statement in the Management Discussion and Analysis describing the Company's Objectives, Projections, estimates or predictions may be "forward looking statements". The actual results may differ from those expected or predicted. Prime factors that may make difference to the Company's performance include market conditions, input costs, interest cost, Govt. Regulations and economic developments within/ outside the Company.

Conservation of Energy, Techonology Absorption and Foreign Exchange Earnings and Outgo:

The particulars in accordance with the provision of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 regarding conservation of energy, techonology absorption and foreign exchange earnings and outgo are given in the Annexure forming part of this report.

Acknowledgement:

Your Directors place on record their deep sense of appreciation of the dedication of the Company's employees at all levels and are confident they will maintain their commitment to excellence in the coming years.

Your Directors also express their deep appreciation of the support received from the Government and other Regulatory authorities.

Your Directors also thank you, our valued shareholders, the Financial Institution, Banks, Dealers, Agents and customers for their continued trust in the Company and its management.

For and on behalf of the Board

Place : Navi Mumbai
Date : 27th August, 2007

Amrut T. Shah
Chairman & Managing Director

ANNEXURE TO THE DIRECTORS' REPORT**PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.****CONSERVATION OF ENERGY, TECHONOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:****1. CONSERVATION OF ENERGY**

- A. Energy Conservation measures taken :
Your Company has been proactively seeking measures to conserve energy through innovation in order to reduce wastage and optimise consumption.
- B. Additional investment & proposals : Nil
- C. Impact of the above measures: Improvement in quality and effeciency in production.

FORM A

Disclosure of particulars with respect to energy consumption:

(a) Power & Fuel consumption :

	12 months 1.04.2006 to 31.03.2007	18 months 1.10.2004 to 31.03.2006
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1. ELECTRICITY:

a) Purchased:		
Unit (KWH in lacs)	6.61	9.59
Total amount (Rs.in lacs)	11.21	37.05
Rate/KWH (in Rs.)	1.70	3.06
b) Own generation:	NIL	NIL

2. COAL : NIL NIL

3. FURNACE OIL : NIL NIL

4. OTHERS : NIL NIL

(b) Consumption per Unit Production:

Products (with detailed unit)		
Electricity	Rs. 1.74	Rs. 1.60
	Per Mtr.	Per Mtr.

HYTONE TEXTSTYLES LIMITED**FORM B**

[Forming part of Annexure (1)]

Disclosure of particulars with respect to Technology Absorption:

2. TECHNOLOGY ABSORPTION:**A) Research & Development :**

1. Specific areas in which R & D carried out by the Company :

The Research and Development is an ongoing process in the Company to improve quality and reduce costs.

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

Advantage of better product mix and wider local & export market.

3. Future Plan of action :

To cater better product mix and more value addition and exploration of avenues for continuous cost reduction measures.

4. Expenditure on R & D :

Capital : Nil

Recurring : Expenses incurred are charged to respective heads and not allocated separately.

Total : Not determinable

Total R & D expenditure as % of total turnover : Not determinable

B) Technology absorption, adaptation and innovation :

Efforts in brief, made :

To meet the requirement of Garment Exporters, the Company has started R & D of new concepts of fabrics with different blend and weaves to increase the value addition at garment stage.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO :

Total Foreign Exchange used : **Rs. Nil**
(Rs. 12.03 Lacs)

Earned : **Rs. Nil**
(Rs. 190.09 Lacs)

For and on behalf of the Board

Place: Navi Mumbai
Date : 27th August, 2007.

Amrut T. Shah
Chairman & Managing Director

CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Your Company believes that good Corporate Governance practices are a continuous process and are essential for long term Corporate Goals. The Board of Directors of the Company continues to lay great emphasis on the broad principles of Corporate Governance.

2. BOARD OF DIRECTORS:

a) Composition of the Board

The Composition of the Board of Directors of the Company as on 31st March, 2007 consist of 2 Promoter, Executive Directors and 3 Independent, Non Executive Directors are as under:

Mr. Amrut T. Shah	Chairman and Managing Director
Mr. Praful K. Dedhia	Executive Director
Mr. Sanjay K. Gala	Independent Non-Executive Director
Mr. Deepak C. Shah	Independent Non-Executive Director
Mr. Mr. Dilip M. Khona	Independent Non-Executive Director

The Composition of the Board of Directors of the Company is in conformity with clause 49 of the listing agreement entered into with the stock exchanges.

b) Board Meetings:

The Board of Directors met 4 times during the financial year 2006-07 on following dates :

29th April, 2006	31st July, 2006	31st October, 2006	31st January, 2007
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c) Attendance of Directors

Name of the Directors	Category	Board Meeting Attended	Last AGM	Other Directorship	Committee Membership	Committee Chairmanship
Mr. Amrut T. Shah	Promoter Executive	4	Yes	-	No	-
Mr. Praful K. Dedhia	Promoter Executive	4	Yes	-	No	-
Mr. Sanjay K. Gala	Independent Non-Executive	4	Yes	-	3	2
Mr. Deepak C. Shah	Independent Non-Executive	4	Yes	-	3	1
Mr. Dilip M. Khona	Independent Non-Executive	4	Yes	-	3	-

The Board of Directors of the Company has optimum combination of executive and independent directors with more than half of the number of directors being non-executive independent directors.