

ICC



The Indian Card Clothing Company Ltd.
54th Annual Report 2007-08

SUMMARY OF FIVE YEAR DATA

(Rs. in Lac)

Sr. No.	Particulars	Year Ended				
		31.3.2008	31.3.2007	31.3.2006	31.3.2005	31.3.2004
	PROFIT AND LOSS ACCOUNT					
1.	Sales					
	Metallic card clothing	3124.14	3078.47	2964.35	2664.66	2214.83
	Woollen	473.81	593.33	724.80	1232.23	913.20
	Others	727.83	772.77	942.81	726.74	466.45
	Trading Goods	71.79	59.88	39.95	33.90	37.94
	Servicing Income	45.44	48.18	45.08	54.99	49.91
	Total	4443.01	4552.63	4716.99	4712.52	3682.33
	Includes Exports	1070.16	912.75	856.00	777.47	558.68
2.	Other Income					
	Dividend and Interest	66.41	127.07	68.85	58.80	199.88
	Profit on sale of Investments	353.03	376.14	530.41	525.96	359.73
	Profit on sale of Assets	4.75	988.50	666.63	6.66	66.03
	Rent received	343.36	279.17	109.03	121.36	80.24
	Others	58.26	50.62	55.08	66.19	57.93
	Total	825.81	1821.50	1430.00	778.97	763.81
3.	Material Cost including stock change	1642.98	1549.56	1602.79	1643.85	1310.48
4.	Staff Cost	1332.46	1129.12	1132.36	1038.91	872.67
5.	Other Expenses	1356.48	1503.84	1401.93	1244.51	950.52
6.	Depreciation	242.70	235.59	141.03	147.07	146.90
7.	Interest	2.16	1.13	0.93	1.32	0.63
8.	Profit before tax	692.04	1954.89	1867.36	1415.83	1164.94
9.	Current and deferred tax	222.11	323.40	331.87	342.51	183.08
10.	Profit after tax	469.93	1631.49	1535.49	1073.32	981.86
11.	Earning per share Rs.	10.33	35.85	33.74	23.58	21.57
12.	Dividend per share Rs.	6.00	12.50	12.50	12.00	10.00
	BALANCE SHEET					
13.	Fixed Assets					
	Gross Block	7176.57	6533.67	5137.09	3803.97	3174.02
	Depreciation	(2619.31)	(2394.24)	(2207.03)	(2310.40)	(2225.52)
	Net Block	4557.26	4139.43	2930.06	1493.57	948.50
14.	Investments	3026.52	2525.82	2053.37	3274.21	3786.48
15.	Bank Deposits	2.53	2.41	102.49	125.52	125.24
16.	Other Current Assets	2582.94	2365.11	3024.59	2532.46	1808.79
17.	Security Deposits	(835.69)	(258.82)	(225.10)	(269.60)	(163.47)
18.	Other Current Liabilities and Provisions	(1521.40)	(981.25)	(950.53)	(1109.34)	(965.98)
19.	Deferred Tax	99.47	12.84	25.84	16.61	27.74
20.	APPLICATION OF FUNDS	7911.63	7805.54	6960.72	6063.43	5567.30
21.	Share Capital	455.11	455.11	455.11	455.11	455.11
22.	Reserves and Surplus	7430.52	7350.43	6371.02	5484.21	5029.26
23.	Loan Funds	26.00	-	134.59	124.11	82.93
24.	SOURCES OF FUNDS	7911.63	7805.54	6960.72	6063.43	5567.30

THE INDIAN CARD CLOTHING COMPANY LIMITED

DIRECTORS

K. K. Trivedi, Chairman
 Prashant K. Trivedi, Deputy Chairman
 M. K. Trivedi, Managing Director
 H. C. Asher
 M. M. Shah
 J. M. Kothary
 C. M. Maniar
 Sudhir Merchant

AUDITORS

M/s. B. K. Khare & Co.
 706/708, Sharda Chambers,
 New Marine Lines,
 Mumbai 400 020

SOLICITORS

M/s. Crawford Bayley & Co.
 State Bank Building,
 N. G. Vaidya Marg,
 Mumbai 400 023.

MANAGEMENT TEAM

M. K. Trivedi, Managing Director
 A. D. Dahotre, Vice President
 (Finance) and Company Secretary
 U. V. Bhawe, Vice President
 (Human Resources)
 N. Jain, Vice President (Sales & Marketing)
 U. S. Borkar, General Manager (Materials)
 A. B. Pawar, General Manager (Production)

BANKERS

Corporation Bank
 HDFC Bank
 ICICI Bank

REGISTERED OFFICE

Mumbai-Pune Road,
 Pimpri, Pune 411 018.
 Tel. : (020) 39858200
 Website : www.cardindia.com
 e-mail : accounts@cardindia.com

REGISTRAR AND SHARE TRANSFER AGENTS

M/s. Sharepro Services
 (India) Pvt. Ltd.
 Satam Industrial Estate, 3rd Floor,
 Above Bank of Baroda,
 Cardinal Gracious Road, Chakala
 Andheri (E), Mumbai 400 099.
 Tel. (022) 67720300, 67720348

ANNUAL GENERAL MEETING

12.00 noon, Tuesday,
 12th August, 2008 at the Registered Office

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NOTICE

NOTICE is hereby given that the FIFTY FOURTH ANNUAL GENERAL MEETING of the Members of THE INDIAN CARD CLOTHING COMPANY LIMITED will be held at the Company's Registered Office at Mumbai-Pune Road, Pimpri, Pune 411 018, at 12 noon on Tuesday, 12th August, 2008 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider, and adopt the Audited Balance Sheet as at 31st March, 2008, and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare final dividend for the year ended on 31st March, 2008.
3. 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 fix their remuneration.

SPECIAL BUSINESS

4. To consider, and if thought fit, to pass, with or without modifications, the following resolution, as a Special Resolution:

"RESOLVED THAT in pursuance of Section 309 and other applicable provisions of the Company's Act, 1956 ("the Act"), and the Articles of Association of the Company, approval of the Company be and is hereby accorded for the payment to Directors and Alternate Directors (who are neither in the whole-time employment, nor Managing Directors nor Executive Directors of the Company) of remuneration, by way of commission at a rate not exceeding 1% of the net profit of the Company calculated in accordance with the provisions of the Act as the Board of Directors may from time to time determine in each financial year, such commission being divisible amongst the Directors and Alternate Directors of the Company by way of remuneration for their services as such Directors as aforesaid, provided that the remuneration payable to each Director shall be such as may be determined by the Chairman of the Board of Directors from time to time.

RESOLVED FURTHER that this Resolution shall be effective for a period of five years from the Accounting Year commencing from 1st April, 2008".

Registered Office:
Mumbai-Pune Road
Pimpri, Pune 411 018

By Order of the
Board of Directors

Pune, 2nd June, 2008

A.D. Dahotre
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from 4th August, 2008 to 12th August, 2008 both days inclusive.
3. The final dividend on Equity Shares, as recommended by the Directors for the year ended 31st March, 2008, if declared at the meeting, will be paid within 30 days of the date of the Annual General Meeting to those members whose names appear on the Register of Members of the Company as on the date of the Annual General Meeting.
4. In terms of provisions of section 205A of the Companies Act, 1956, the amount of Rs.265,686/- of final dividend for year ended 31st March, 2000 remaining unpaid or unclaimed for a period of seven years from the date of payment, was transferred to the Investor Education and Protection Fund of the Central Government. Members are requested to claim from the Company any unpaid dividend for subsequent period. As per Section 205C, no claim shall lie against the Company or the said fund in respect of amounts remaining unclaimed or unpaid for a period of seven years and transferred to the said fund.
5. Members are requested to bring the copy of their Annual Report and the Attendance slip at the Annual General Meeting.
6. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions to the Company Secretary, so as to reach at least seven days before the date of the meeting, so that the information required may be made available at the meeting. The members using electronic mail may send questions to e-mail address: adahotre@cardindia.com.
7. Members holding shares in physical form may advise number and type of account, name of bank and branch to the Company Secretary so that the same can be printed on the dividend warrant in addition to the name to avoid possibility of misuse. Members holding shares in electronic form are requested to verify correctness of their bank particulars with their Depository Participant.

THE INDIAN CARD CLOTHING COMPANY LIMITED

EXPLANATORY STATEMENT

Pursuant to Section 173 of the Companies Act, 1956.

ITEM 4

The non Whole-time Directors of the Company are being paid remuneration by way of commission in pursuance of the Special Resolution passed by the Shareholders at the 49th Annual General Meeting of the Company held on 29th August, 2003. As the said resolution was effective up-to March 31, 2008, it is now proposed to pass a fresh Resolution for payment of remuneration to the non whole-time Directors in terms of the Special Resolution set out at item 4. The provisions of sub-section (4) of Section 309 of the Companies Act, 1956, inter alia, provides that a Director who is neither in the whole-time employment of the Company nor a Managing Director may be paid remuneration either by way of monthly, quarterly or annual payment with the approval of the Central Government or by way of commission if the Company special resolution authorized such payment. The proviso to this sub-section further provides that the remuneration paid to such director or where there is more than one such director, to all of them together, shall not exceed one per cent of the net profits of the Company, if the Company has a Managing or whole-time Director or a Manager.

All the Directors of the Company, except Mr. Mehul K. Trivedi, are non whole-time Directors and may be deemed to be interested in this Resolution.

Mr. Mehul K. Trivedi is related to two non-whole time Directors, as the son of Mr. K.K. Trivedi and the brother of Mr. Prashant K. Trivedi, and accordingly may be deemed to be interested in this Resolution.

Mr. K.K. Trivedi and Mr. Prashant K. Trivedi are relatives and may be deemed to be interested to the extent of remuneration to which the other will be entitled under the resolution.

Registered Office:
Mumbai-Pune Road
Pimpri, Pune 411 018

By Order of the
Board of Directors

Pune, 2nd June, 2008

A.D. Dahotre
Company Secretary

54th ANNUAL REPORT 2007-2008**Directors' Report**

Your Directors have pleasure in presenting the Company's Balance Sheet as at 31st March, 2008, together with the Profit and Loss Account for the year ended on that date.

	(Rupees in Lac)	
FINANCIAL RESULTS	Year Ended 31-03-2008	Year Ended 31-03-2007
Sales and Other Income	5268.82	46374.13
Profit before Interest, Depreciation and Tax	936.90	2191.61
Interest	2.16	1.43
Depreciation	242.70	235.59
Profit Before Tax	692.04	1954.89
Provision for Tax	222.11	323.40
Profit(loss) after Tax	469.93	1631.49

OPERATIONS-HIGHLIGHTS

Your Company's Sales and Servicing Income for the year was Rs.4443.01 lac as compared to Rs. 4552.63 lac in 2006-07.

General trend of sales reflected the difficult trading conditions in the textile industry during the course of the financial year due to higher cotton prices and the appreciation of the Rupee against the U.S.Dollar. The decline in demand for blankets products from regenerated fibre and lower exports of carpets due to unfavourable exchange rates. Exports increased by 17.25% to Rs.1070.16 lac during the year from Rs.912.75 lac in the previous year, however margins in the exports markets were under severe pressure.

New Manufacturing Facility at Nalagarh, Himachal Pradesh

Land for the project to manufacture card clothing in Himachal Pradesh has now been purchased. Construction of the factory building is underway. Trial production is likely to commence in the beginning of next year.

Realty

A commercial building is under construction in Pimpri under progress and is likely to be completed by next year.

DIVIDEND

Your Directors recommend final dividend of 60% for the year ended 31st March, 2008 (125% for the year ended 31st March, 2007).

SUBSIDIARY COMPANIES

ICC International Agencies Ltd. recorded an increase in income of 10.29% from Rs.627.14 lac in the previous year to Rs.691.70 lac in the current year. The subsidiary company recorded profit after tax of Rs.151.59 lac in the current year against previous year's profit after tax of Rs.127.58 lac. The higher profit after tax was mainly on account of higher commission income. ICC International Agencies Limited paid a dividend of 75% (previous year 75%).

Garnett Wire Ltd.(GWL), a U.K. Company, in which your Company has 60% of the issued share capital, recorded higher turnover of 11% from PDS 993,943 to PDS 1,107,648, but profit after tax at PDS 20,635/- against PDS 22,351/- in the previous year was lower. The lower profit after tax was on account of higher one time expenditure incurred for repairs to building and plant and equipment. GWL did not pay dividend during the year (Nil in the previous year).

M/S. Shivraj Sugar and Allied Products Pvt. Ltd. which became subsidiary of the Company during last year, has not started operations as yet.

DIRECTORS

The present Directors who were appointed for a period of three years under Article 115 at the 53rd Annual General Meeting held on 11th August, 2007 will continue to hold office.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, your Directors confirm that to the best of their knowledge and belief and according to the information and explanations made available to them:

1. In the preparation of the annual accounts, the applicable Accounting Standards have been followed;

THE INDIAN CARD CLOTHING COMPANY LIMITED

2. Appropriate accounting policies have been selected and applied consistently and judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2008 and of the profit of the Company for the year 1st April, 2007 to 31st March, 2008;
3. Proper and sufficient care has been taken 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 fraud and other irregularities;
4. The annual accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE

Your Company has complied with the guidelines on Corporate Governance under the Listing Agreement and a certificate from the Auditors of the Company as well as detailed report on Corporate Governance, approved by the Board of Directors of the Company is annexed to this report. A Management Discussion and Analysis Report also accompanies Report.

TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT

Your Company continues to satisfy the requirements of ISO 9001 as certified by Bureau Veritas Quality International (BVQI) for Metallic and Flexible Card Clothing and Accura Fixed Flats. The certificate was renewed in November, 2005 for a further period of three years. In-house Research and Development Centre during its ninth year of operation continued to make a contribution to the development of newer and improved products and processes.

Information regarding technology absorption is given in Annexure I and forms part of the report.

FOREIGN EXCHANGE EARNINGS AND OUT-GO

Total foreign exchange earnings Rs.1070.16 lac

Total foreign exchange out-go Rs.391.60 lac

INDUSTRIAL RELATIONS

Industrial relations in the Company continued to be cordial during the year under review. Your Directors look forward to continuing participation of employees in the Company's efforts to increase productivity and maintain the high quality of its products.

PARTICULARS OF EMPLOYEES

Information required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, is given in Annexure II.

CONSERVATION OF ENERGY

Modifications done to damper of fume extraction and screw air compressor during the year resulted in saving of electrical power. Maintenance of power factor at unity continued to entitle the Company to rebate in energy bill.

AUDITORS

M/s B.K. Khare & Co., the present auditors of the Company, have signified their consent to continue in office.

For and On Behalf of the Board of Directors

K.K. TRIVEDI
Chairman

Mumbai, 2nd June, 2008

54th ANNUAL REPORT 2007-2008**ANNEXURE I TO DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2008****PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION****Research and Development (R&D)**

1.	Specific areas in which R&D carried out by the Company	New products in the area of card room service equipments, new products for shoddy and carpet industry to improve the performance of the cards in the woollen mills, improvements in card up-gradation products to suit very high production cards supported by improvement in production processes.
2.	Benefits derived as a result of the above R&D	Introduction of new product range, assisting cotton spinning and woollen industry to improve quality of their end products, technology up-gradation and reduction in cost of production.
3.	Future plan of action	Further development of card room service equipments, new devices for proper maintenance of card clothing required for very high production cards, improvements in processes and card up-gradation products, development of card clothing for non-woven industry.
4.	Expenditure on R&D: (a) Capital (b) Recurring (c) Total (d) Total R&D expenditure as a percentage of total turnover	Nil Rs.61.44 lac Rs.61.44 lac 1.38%

Technology absorption, adaptation and innovation

1.	Efforts, in brief, made towards technology absorption, adaptation and innovation	Development of card clothing to suit very high production cards, new products for card room service equipments, for different versions of woollen cards to improve the performance, process improvement of card clothing manufacturing.
2.	Benefits derived as a result of above efforts	New product development, cost reduction and process improvement.
3.	In case of imported technology (imported during the last five years reckoned from the beginning of the financial year), the following information may be furnished:	
Technology Imported	Year of Import	Has technology been fully absorbed?
Nil		If not fully absorbed, area where this has not taken place, reasons therefor and future plans of action

ANNEXURE II TO DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2008

Name of the Employee	Designation/ Nature of Duties	Qualification	Age (Years)
Mehul K. Trivedi	Managing Director	LLB (Hons) (U.K.) Solicitor Supreme Court of England & Wales	46

Experience (Years)	Date of Commencement of Employment	Remuneration Received (Rs.)	Previous Employment Co.
20	01-09-1989	45,07,925/-	Solicitor S.J. Berwin & Co. London, England

Notes :

1. Nature of employment is contractual. Other terms and conditions are as approved by the shareholders.
2. Mr. Mehul K. Trivedi is a son of the Chairman, Mr. K.K. Trivedi and the brother of Mr. Prashant K. Trivedi, Deputy Chairman.
3. Remuneration received includes salary, allowances, commission, Company's contribution to Provident Fund, Gratuity and Superannuation funds, medical benefits at actual expenditure and monetary value of perquisites as per Income Tax Rules for other benefits.

THE INDIAN CARD CLOTHING COMPANY LIMITED

Management Discussion and Analysis

Industry Structure and Development

The pace of consolidation, which characterized the industry a few years ago, has come to a standstill. The global card clothing industry still remains relatively fragmented.

There are two distinct trends that are emerging in the industry.

In Europe, in an environment of increasing competition, shrinking markets and demands for specialist knowledge, manufacturers are beginning to focus on their core areas of technological strength and applications knowledge. For example, Schelling S.r.l. in Italy, traditionally known for manufacturing flexible card clothing for processing wool and long staple fibres as well as raising fillets sold its plant for manufacturing metallic card clothing and tops for short staple fibres to concentrate only on the raising fillet business. James Holdsworth & Brothers Limited in the U.K. also stopped manufacturing woollen fillets to concentrate on the manufacture of only foundation and fine wire where it considers it has a competitive advantage.

Although there does not appear to be any additional capacity being added by manufacturers, existing capacities are moving away from Europe to lower cost economies like India and China.

In India, new manufacturing facilities are being set up using the machinery from plants closed down or down sized in Europe. English Card Clothing Limited set up a tops manufacturing plant a few years ago using machinery from plants that Carlo plc, its parent company, had closed in Europe. During fiscal year 2006-2007, Trutzschler GmbH set up a tops and sundries manufacturing facility from equipment previously used in the plant of J.D. Hollingsworth GmbH that it had acquired.

Similarly, N.V. Bekaert S.A. has moved all the machineries of N.V. Sobelcard S.A. and English Card Clothing, which it purchased in 2004 and 2005 respectively, to China consolidating the bulk of its manufacturing facilities there.

The world-wide re-location of capacities is being driven by pressure on margins being experienced by card clothing manufacturers. The pressure is being partly driven by spinning mills demanding lower prices in the face of an increased competitive environment after the dismantling of tariffs under the WTO and suppliers of raw materials who are passing on their higher input costs for steel and energy.

The decision to re-locate capacities also reflects a new reality of manufacturers needing to be closer to the markets where card clothing is used. As more and more textile mills begin using high speed carding machinery they are demanding shorter lead times to reduce idle time between re-clothing of the carding machines.

Opportunities

Growth of the textile industry

The consumption of fibre has a direct bearing on the demand for card clothing. Global cotton consumption has increased by 4 per cent in 2007-2008 over the previous fiscal year. Between April to December 2007 production of cotton and blended yarn, which constitutes approximately 90 per cent of all yarn produced in India has shown an increase of approximately 5 per cent over the same period in the previous year. Whilst the rate of increase in consumption is lower than the previous year, the trend continues to be upwards, which should lead to a continuing demand for the company's products.

Increase in the capacity of spinning frames and rotors have a direct impact on the potential for growth of the company. Approximately 2.7 million spindles were added in the fiscal year 2007-2008. However the current difficult trading conditions has slowed down the rate of expansion of new spindles. Out of a total installed capacity of 38.87 million spindles the number of inactive spindles in India as recorded by Ministry of Textiles are 7.65 million and 82,180 rotors are inactive out of an installed capacity of 614,000 rotors.

Approximately Rs. 911 crores was disbursed under the Technology Upgradation Fund Scheme (TUFS) in 2007-2008.

Substitution of imported card clothing

Faced with heightened competition and greater commoditisation of yarn, textile mills in India are more inclined to source card clothing from suppliers who can provide the appropriate quality and service for their high production cards at reasonable rates with shorter lead times. The company hopes to capitalize on this trend.

Exports

Tapping markets outside of India where there is an increasing trend in cotton fibre consumption presents a great opportunity for the company to expand its reach, leveraging on its large domestic market. Participation in international textile machinery exhibitions has created an awareness of ICC amongst international spinning mills in markets outside India to help in the effort to increase exports.

Threats

Value of the Rupee

The appreciation of the Indian Rupee against the U.S. Dollar in fiscal 2007-2008 has negatively impacted the growth of exports of textile products, particularly yarn. If the Indian Rupee continues to remain strong, this will

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hold back exports of yarn and cloth, especially if the currencies of countries like China, Pakistan and Bangladesh do not appreciate at the same rate as the Indian Rupee.

In addition, the rising price of raw cotton at an average rate of 20 percent, which constitutes 70 per cent of the input cost for cotton yarn, will place greater pressures on the textile mills since yarn prices have historically not kept pace with increases in the price of cotton. In addition, the increase in other input costs, like energy and diesel etc., may cause spinning mills to postpone their re-clothing schedules for card clothing.

Global Economic Outlook

In an environment of global economic growth weakening coupled with concerns about rising inflation expectations and slower growth in the retail and housing sectors, the textile industry in the developing world may see lower demand for its products from its main markets in the U.S. and Europe.

Operations :

The Company's main business is the manufacture and marketing of card clothing. The conditions in the cotton textile industry deteriorated during the course of the financial year 2007-2008 partly due to the increase, in the price of raw cotton, the appreciation of the Indian Rupee against the U.S. Dollar resulting in a severe squeeze on margins.

The Company recorded a marginal decline in turnover in cotton card clothing. The continued decline in the woollen industry resulted in the Company registering a decline in sales of woollen card clothing resulting in a decrease in gross profit from operations by 38 percent.

Demand for card upgradation products like Accura Carding elements and Accura Beater segment also declined as textile mills postponed all capital and revenue expenditure to meet their requirement of purchasing raw material and essential spares, consequently, the Company registered a marginal decline in sales of these items. Sales of Sharprite, wire sharpening device and Sharprite Tops, the tops re-sharpening and cleaning device also saw a decline for similar reasons.

Efforts to enhance the operating efficiency, including re-training manpower and introducing flexibility in manning depending on skills are continuing as these will become more critical over the years as demand for re-clothing new carding machines installed over the last few years comes up.

The above efforts are expected to result in supply of better quality products.

The secular decline in demand for woollen card clothing continued to be evident in the financial year 2007-2008. In addition, the entry of some Chinese card clothing as well as European manufactured card clothing in a few woollen mills has affected the demand for the Company's products.

Outlook : The growth and profitability of card clothing business is highly dependent on the performance of the textile industry and yarn, being a global commodity, depends on market forces and the overall global economic outlook.

The Company hopes to further improve its operations by:

- a) Making further improvements in the quality of its products to meet the increasing demands from customers of high speed carding machines;
- b) Continuing to introduce new products which will increase the product portfolio of the Company and meet the requirements of the Company's existing and potential customers;
- c) Improving productivity in the manufacturing processes; and
- d) Identifying areas where costs can be reduced.

Internal Control Systems : The Company has a proper and well-established accounting and auditing system covering all areas of operations. The Company has upgraded its ERP system by implementing Oracle Applications, at the end of the financial year ended 31st March, 2007.

The Company has a costing system to help control costs and to take decisions on pricing.

A firm of auditors manned by technically and commercially qualified personnel carries out internal audit, which is followed up by discussions with each department and in the audit committee.

The manufacturing plant of the Company has ISO 9001 certification and this is renewed from time to time.

Cautionary Statement

The Management Discussion and Analysis Report contains forward looking statement based on data and information available with the Company and on its assumptions on the Company's economic situation and the global economic environment. Actual results might differ materially from those either expressed or implied.