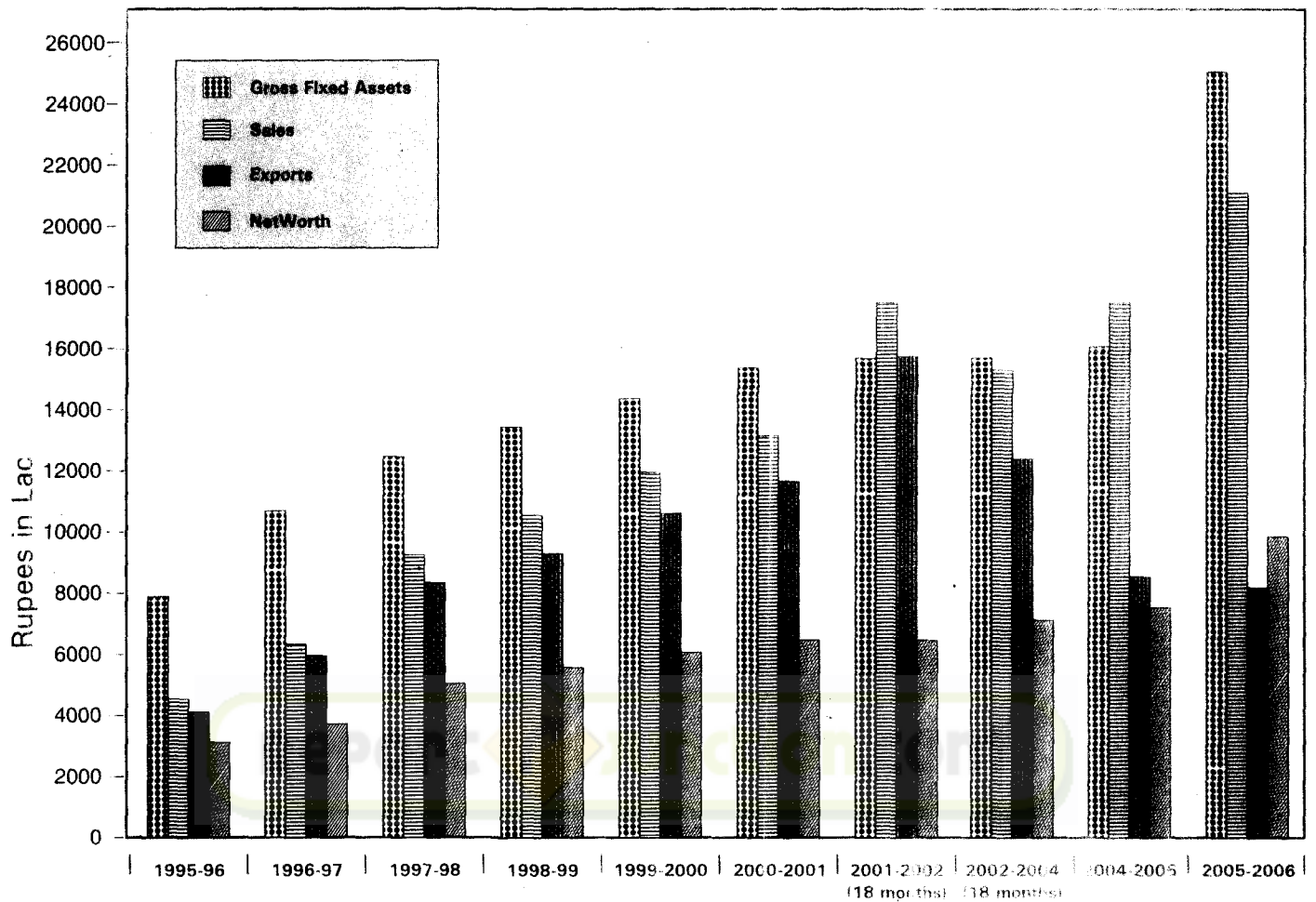


# INDO COUNT INDUSTRIES LIMITED



17th annual report

## GROWTH PROFILE FOR LAST TEN ACCOUNTING YEARS



## ACCOUNTING YEAR

(Rs. in Lac)

PARTICULARS	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02 (18 months)	2002-03 (18 months)	2003-04	2004-05	2005-06
Sales	4530	6327	9245	10538	11951	13148	17506	15289	17577	21418	
Exports	4100	5942	8333	9290	10595	11650	15741	12388	8538	8058	
Gross Fixed Assets	7883	10677	12463	13431	14357	15371	15683	15708	16072	24931	
Gross Profit Before Interest and Depreciation	1244	1698	2434	2362	2428	2364	2725	2761	1826	1949	
Net Profit	579	784	936	754	791	566	14	609	436	623	
Net Worth	3115	3709	5038	5573	6068	6456	6452	7112	7524	9487	
Book Value [Rs]	17.40	20.71	21.41	23.68	25.78	27.43	27.41	30.22	31.97	34.38	
Rate of Dividend (%)	12%	10%	10%	7%	7%	5%	—	—	—	—	
Installed Capacity (Nos.)											*
a) Spindles	32256	50400	52416	52416	55440	55440	56448	58520	58520	58520	
b) Knitting Machines	—	—	4	4	6	7	8	8	7	8	



## Indo Count Industries Limited

### Board of Directors

Mr Deepak M Pradhan  
 Mr Dhananjay N Mungale (IDBI Nominee)  
 Mr Dilip J Thakkar  
 Mr Jagdish Prasad Mohta  
 Mr Mohit Kumar Jain  
 Mr P N Shah  
 Mr R Anand  
 Mr Sushil Kumar Jiwarajka

### Chairman & Managing Director

Mr Anil Kumar Jain

### Jt. Managing Director

Mr R N Gupta

### President (Finance) & Company Secretary

Mr K Muralidharan

### Auditors

B K Shroff & Co.,  
 Chartered Accountants,  
 3/7-B, Asaf Ali Road,  
 New Delhi - 110 002

### Bankers

Canara Bank  
 Union Bank of India

### Registered Office

D-1, MIDC Industrial Area,  
 Gokul Shirgaon,  
 Kolhapur - 416 234  
 Maharashtra

### Weaving & Processing Division

T - 3 Five Star MIDC,  
 Kagal - Hathkanangle  
 At post: Talandge  
 Taluka : Hatkanangale  
 Kolhapur 416 216  
 Maharashtra

### Head Office

301, Arcadia,  
 Nariman Point,  
 Mumbai - 400 021

### Delhi Office

705, Pragati Tower,  
 26, Rajendra Place,  
 New Delhi - 110 008

### Kolkata Office

1-B, Janki Shah Road,  
 Hastings,  
 Kolkata - 700 001

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## Indo Count Industries Limited

### NOTICE

**NOTICE** is hereby given that the 17<sup>th</sup> Annual General Meeting of **INDO COUNT INDUSTRIES LIMITED** will be held on Saturday the 12<sup>th</sup> August, 2006 at 12.00 noon at Hotel Shalini Palace, Rankala, Kolhapur 416 010, Maharashtra to transact the following business:

#### ORDINARY BUSINESS

1. To receive, consider and adopt the Accounts for the financial year ended 31<sup>st</sup> March 2006 and the Report of Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr P N Shah, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr Dilip J Thakkar, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr J P Mohta, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint auditors and fix their remuneration.

#### SPECIAL BUSINESS

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

**"RESOLVED THAT** in accordance with the provisions of Sections 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals, permissions, consents and sanctions as may be necessary from the Government of India (GOI), the Reserve Bank of India (RBI), the Securities and Exchange Board of India (SEBI) and/or any other competent authorities and enabling provisions of the Memorandum and Articles of Association of the Company, the Listing Agreements entered into by the Company with the Stock Exchanges, where the equity shares of the Company are listed and in accordance with the guidelines issued by the GOI, RBI, SEBI and/or any other competent authorities and clarifications thereof, issued from time to time, and subject to all such other approvals, permissions, consents and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions, consents and sanctions, 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 constituted/to be constituted by the Board for exercising the powers conferred on the Board by this Resolution), the consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot, in one or more tranches, 25,28,625 Equity Shares of Rs.10/- each on a preferential basis to M/s Swastik Investment Corporation, a Person Acting in Concert (PAC), at a price of Rs 24/- (Rupees Twenty Four Only) per share which is calculated in accordance with SEBI Guidelines for Preferential Issue, to the extent and in the manner as may be decided by the Board in this behalf.

#### RESOLVED FURTHER THAT:

- i. The equity shares to be so created, offered, issued and allotted shall be subject to the provisions of the Memorandum and Articles of Association of the Company.

- ii. The 25,28,625 equity shares so issued and allotted shall rank pari-passu with the existing equity shares of the company.
- iii. The relevant date as per the SEBI (Disclosure and Investor Protection) Guidelines, 2000 on Preferential Issue, as amended upto date, for the determination of minimum price for the issue of equity shares is 13<sup>th</sup> July 2006.
- iv. The equity shares so issued and allotted shall be listed and traded on stock exchanges.
- v. For the purpose of giving effect to this resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things as the Board may in its absolute discretion consider necessary, proper, expedient, desirable or appropriate for making the said issue as aforesaid and to settle any question, query, doubt or difficulty that may arise in this regard.
- vi. The equity shares shall be subject to lock in as per provision of Regulations 13 of SEBI (Disclosure and Investor Protection) Guidelines, 2000."

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

**"RESOLVED THAT** the consent of the Company be and is hereby accorded in terms of section 293(1) (a) and other applicable provisions, if any, of the Companies Act, 1956, for mortgaging and/or charging (by way of first pari passu charge, as has been agreed to between the Company and the lenders) by the Board of Directors of the Company, of all the immovable and movable properties of the Company wheresoever situate, present and future, and the whole of the undertaking of the Company and/or conferring power to enter upon and take possession of the assets of the Company in certain events to or in favour of UTI Bank Ltd acting as Security Trustees on behalf following banks viz.

Name of the Bank	Rs in Crore
Bank of India	15.00
Bank of Baroda	35.62
State Bank of India	32.53
State Bank of Patiala	15.00
EXIM Bank	40.00
Union Bank of India	25.00
State Bank of Hyderabad	15.00

in connection with Rupee Term Loans aggregating Rs 178.15 crore availed/to be availed by the Company."

By Order of the Board

Place : Mumbai  
Date : 13<sup>th</sup> July 2006

**K. Muralidharan**  
Company Secretary





## Indo Count Industries Limited

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

#### Item No. 6

The Company is implementing home textile project since September 2005 at an estimated cost of Rs 206.63 crore which is financed is as under :-

Means of Finance	Rs in Crore
- Share capital and internal accruals	41.33
- Term loan from banks	165.30
<b>Total</b>	<b>206.63</b>

The term loan for the project have been tied up.

With regard to equity and internal funds to be deployed in the project,

- a) The Company had in September 2005 raised Rs 13.20 crore by private placement of 40,00,000 equity shares of Rs 10/- each at a premium of Rs 23/- per share to two FIIs viz. M/s Matterhorn Ventures and M/s Lotus Global Investment Ltd., at a price of Rs 33/- per share.

- b) The Company had raised unsecured loan by way of External Commercial Borrowings (ECB) US \$ 1.35 Million equivalent to Indian Rs 606.87 lac during April 2006, from M/s. Swastik Investment Corporation, Mauritius, an existing major foreign equity shareholder and also a Person Acting in Concert (PAC).

The Board of Directors, at their meeting held on 30<sup>th</sup> May, 2006, have considered a proposal to convert the said ECB into equity and have decided to create, offer, issue and allot such number of equity shares of Rs 10/- each to the said Person Acting in Concert (PAC) on preferential basis, at such price to be decided as per SEBI (Disclosure and Investor Protection) Guidelines, 2000.

Pursuant to the Board's decision, it is proposed to create, offer, issue and allot 25,28,625 equity shares of Rs 10/- each to M/s Swastik Investment Corporation, a PAC at a price of Rs 24/- per share, which is higher than price calculated as per SEBI (Disclosure and Investor Protection) Guidelines, 2000 of Rs 22.17 per share.

- c) The Balance moneys of Rs 22.06 crore are already been deployed/arranged.

### Disclosures, which are required to be given in terms of clause 13.1A of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 on Preferential Issue:-

#### a) The object of the issue through preferential offer:

The object of the issue is to part-finance the cost of the home textiles project, through subscription in equity by M/s Swastik Investment Corporation, a foreign equity shareholder under FEMA and a PAC, as per SEBI norms.

#### b) Intentions of promoters / directors / key management persons to subscribe to the offer:

Except for the PAC, no other Promoters, directors and key management persons are being offered any shares and as such, they do not propose to subscribe to the offer.

#### c) Share holding pattern before and after the offer:

Sr. No	Category of shareholders	Pre-issue Holding 31-03-2006	% to capital pre-issue	Post issue Holding	% to capital post issue
1.	Promoters/Promoter's Group/PAC				
	- Non participating in the offer	1425762	5.18%	1425762	4.74%
	- Participating in the offer	9871866	35.85%	12400491	41.25%
	Sub total of promoter's holding - Total (A)	11297628	41.03%	13826253	45.99%
2.	Institutional Investors	5320783	19.32%	5320783	17.70%
3.	Private Corporate Bodies	3928234	14.27%	3928234	13.07%
4.	Indian Public	6817716	24.76%	6817716	22.68%
5.	NRIs	171981	0.62%	171981	0.57%
	Sub total of non promoters Total (B)	16238714	58.97%	16238714	54.01%
	Total (A) + (B)	27536342	100.00%	30064967	100.00%

#### d) Proposed time within which the allotment shall be completed:

The Board proposes to allot the equity shares within a period of 30 days of the date of passing of this resolution under in

the Annual General Meeting, in accordance with SEBI (Disclosure and Investor Protection) Guidelines, 2000.

#### e) The identity of the proposed allottees and the percentage of post preferential issue capital that may be held by them:

Swastik Investment Corporation, a Mauritius based investment company and also a Person Acting in Concert (PAC) holding about 35.85% (pre issue) equity share capital.

#### Issue Price and relevant date:

The issue price of Rs. 24/- (Rupees Twenty four Only) per share is in accordance with the SEBI (Disclosure and Investor Protection) Guidelines, 2000 and for the purpose of the above guidelines the relevant date is 13-07-2006. The issue price of Rs 24/- per share is higher than the price determined under the SEBI (Disclosure and Investor Protection) Guidelines, 2000.

#### Auditors' Certificate:

A copy of the Certificate of the Company's Statutory Auditors as per SEBI guidelines shall be kept open for inspection at the Registered Office of the Company on all working days, except Saturdays, Sundays and Bank holidays, between 11:00 a.m. and 2.00 p.m. upto the date of the Annual General Meeting.

In terms of section 81 (1A) of the Companies Act, 1956, and the listing agreement with the stock exchanges and the SEBI (Disclosure and Investor Protection) Guidelines, 2000, consent of members is required for allotment of further equity shares to any person other than the existing shareholders.

Consent of the members is therefore sought, by passing the Special Resolution to authorise the Board of Directors to offer, issue and allot equity shares in the manner set-out in the item No.6 of the Notice.

Board recommend resolution set out in item No.6 of the notice, for your approval.

None of the directors except Mr Anil Kumar Jain and Mr Mohit Kumar Jain, being promoters' of the Company is in any way concerned or interested in the resolution.

**ITEM NO. 7**

The Company has availed a fresh Rupee Term Loan of Rs 178.15 crore from various banks as mentioned in the resolution for part financing the home textile project and also for prepayment of high cost debt.

In terms of the sanction of the abovementioned rupee loans, the company is required to create a first charge/mortgage on the fixed assets of the company, on pari passu basis, with the existing charge holders.

Section 293 (1) (a) of the Companies Act, 1956, provides, inter alia, that the Board of Directors shall not, without consent of the shareholders, in general meeting sell, lease or otherwise dispose of the whole or part of the undertaking of the company.

Copies of the letter received from various banks is available for inspection at the Registered Office of the Company between 11.00 a.m. to 2.00 p.m. on any working day before the annual general meeting.

Board recommends the resolution set out in item No.7 of the notice, for your approval.

None of the directors of the Company is in any way concerned or interested in the resolution.

By Order of the Board

Place : Mumbai

Date : 13<sup>th</sup> July 2006

**K. Muralidharan**  
Company Secretary

**Additional information:** As required in terms of para VI (A) of clause 49 of the listing agreement

**Brief profile of Mr P N Shah, who retires by rotation and is eligible for re-appointment**

Mr P N Shah, a practicing Chartered Accountant by profession, is specialized in accounting, audit and taxation. Mr Shah has been on the Board of the Company since 30<sup>th</sup> September 1992.

**Outside Directorship :** a) P. I. Industries Ltd. b) Secure Meters Ltd. c) Taparia Tools Ltd d) Lipi Data Systems Ltd. e) Standard Tea Processing Co. Ltd f) Wolkem India Ltd g) LIC Mutual Fund Trustee Company Ltd.

**Committee Chairmanship/Membership**

Name of the Company	Audit Committee	Remuneration Committee
P I Industries Ltd	Member	Member
Taparia Tools Ltd	Member	Member
Indo Count Industries Ltd	Chairman	Member
Secure Meters Ltd	Chairman	Member
LIC Mutual Fund Trustee Co. Ltd	Chairman	—
Lipi Data Systems Ltd	Chairman	—

**Brief profile of Mr Dilip J Thakkar, who retires by rotation and is eligible for re-appointment**

Mr Dilip J Thakkar a practicing Chartered Account by profession and is specialized in Taxation, Audit and FEMA rules and regulations and has over 45 years of experience. Mr Thakkar has been on the board of the Company since 28<sup>th</sup> January 2003.

**Outside Directorship :** a) Omega Management Services Ltd. b) Rajasvi Properties Holdings Pvt. Ltd. c) Wearology Ltd. d) Starrock Investments & Trading Pvt. Ltd e) Panasonic Battery India Co. Ltd., f) Deccan Florabase Ltd.g) Essar Oil Ltd h) India Consultancy Group Pvt. Ltd. i) Thirumalai Chemicals Ltd. j) The Ruby Mills Ltd. k) PAE Ltd. l) Himatsingka Seide Ltd. m) Chrysanthemum Investments Pvt. Ltd. n) Blueberry Trading Company Pvt. Ltd. o) Township Real Estate Developers Pvt. Ltd p) Hamlet Construction India (Private) Ltd. q) Walchandnagar Industries Ltd. r) Windmere Hospitality (India) Pvt. Ltd

**Committee Chairmanship/ Membership**

Name of the Company	Audit Committee	Remuneration Committee	Shareholders & Investors Grievance Committee	Share Transfer Committee
Panasonic Battery India Co. Ltd	Member	Member	Chairman	—
Essar Oil Ltd	Chairman	—	Member	—
Thirumalai Chemicals Ltd.,	Chairman	—	—	Member
PAE Ltd	Chairman	—	—	—
Himatsingka Seide Ltd	Chairman	—	—	—
Walchandnagar Industries Ltd	—	Member	—	—

**Brief profile of Mr J P Mohta, who retires by rotation and is eligible for re-appointment**

Mr J P Mohta is a Chartered Accountant by occupation, and is specialized in the fields of Accounting, Audit and Finance. Mr Mohta has been associated with the Company since 28<sup>th</sup> January 2003.

**Outside Directorship :** Jindal (India) Ltd., Jindal Thermal Power Ltd., Jupax Barter Pvt Ltd

**Committee Chairmanship/Membership**

Name of the Company	Audit Committee
Jindal (India) Ltd	Member

By Order of the Board

Place : Mumbai

Date : 13<sup>th</sup> July 2006

**K. Muralidharan**  
Company Secretary



## Indo Count Industries Limited

### 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.

The proxy form should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the aforesaid meeting.

2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of special business to be transacted at the aforesaid meeting is annexed hereto.
3. Register of Members and the Share Transfer Books of the Company will remain closed from 5<sup>th</sup> August 2006 to 12<sup>th</sup> August 2006 (both days inclusive).
4. Members are requested to:
  - (i) intimate, changes, if any, in their Registered Addresses immediately;
  - (ii) intimate about consolidation of folios if shareholdings are under multiple folios;
  - (iii) intimate for duplicate dividend warrants if they have not encashed their warrants for the previous year;
  - (iv) Unpaid dividend that are due for transfer to the Investor Education and Protection Fund (IEPF).

Financial Year Ended	Due for Transfer on
31-03-1999	10-11-2006
31-03-2000	10-07-2007
31-03-2001	09-11-2008

Pursuant to the provisions of section 205C of the Companies Act, 1956, all unpaid dividend upto financial year ended 1997-98 have been transferred to the Investor Education and Protection Fund (IEPF) of the Central Government. Once the unpaid amount is transferred to the IEPF, no claims shall lie against the IEPF or the company in respect of individual amounts which were unclaimed or unpaid. Hence it is in the interest of the members to claim above dividend before the same is transferred to IEPF.

- (v) quote ledger Folio No./DPID/Client ID in all their correspondence; to the Company's Registrar & Transfer Agent:-

#### M/s Intime Spectrum Registry Ltd.

3, Community Centre,  
Naraina Industrial Area, Phase -1,  
Near PVR Cinema, New Delhi 110028,  
Telephone Nos 011- 51410592 - 94  
Fax No 011 - 51410591

5. MEMBERS ARE ADVISED TO SEND ALL SHARE TRANSFERS AND RELATED CORRESPONDENCE TO THE REGISTRAR AND SHARE TRANSFER AGENT AT THE ABOVE ADDRESS.
6. Members/Proxies should bring the attendance slip duly filled in for attending the aforesaid meeting.
7. Shareholders intending to require information about accounts to be explained in the Meeting are requested to inform the Company at least 7 days in advance of the Annual General Meeting.

By Order of the Board

**K. Muralidharan**  
Company Secretary

Place : Mumbai  
Date : 13<sup>th</sup> July 2006



## Indo Count Industries Limited

### DIRECTORS' REPORT

To

The Members

#### INDO COUNT INDUSTRIES LIMITED

Your directors have pleasure in presenting the SEVENTEENTH ANNUAL REPORT and the audited statement of accounts of the year ended 31<sup>st</sup> March 2006.

#### Financial Results

(Rs. in lac)

	Current Year	Previous Year
<b>Gross Operating Profit</b>	<b>1949.47</b>	1826.44
Less : Interest	<b>425.37</b>	531.51
Profit before Depreciation	<b>1524.10</b>	1294.93
Less : Depreciation	<b>829.89</b>	820.94
<b>Profit Before Tax</b>	<b>694.21</b>	473.99
Provision for Taxation	<b>71.43</b>	37.94
<b>Net Profit After Taxation</b>	<b>622.78</b>	436.05
Balance Brought Forward	<b>228.52</b>	229.47
Amount withdrawn from Debenture Redemption Reserve	<b>-</b>	100.00
Profit available for appropriation	<b>851.30</b>	828.52
<b>APPROPRIATIONS</b>		
Transfer to :-		
General Reserve	<b>650.00</b>	600.00
Surplus Carried to Balance Sheet	<b>201.30</b>	228.52
<b>Total</b>	<b>851.30</b>	828.52

#### PERFORMANCE REVIEW

##### ❖ Textile Division

During the year under review, the textile division earned a net profit of Rs. 4.75 crore (previous year Rs 2.01 crore) on a net sales turn over of Rs.109.24 crore (previous year Rs 117.86 crore), an impressive growth of about 136% over that of the previous year. This performance could have been better but for a very volatile rupee and the steep rise in input costs, especially fuel.

##### ❖ Electronic Division

The electronic division contributed to the bottom line by earning net profit of Rs. 2.19 crore in its first full year operations on net sales revenue of Rs 103.43 crore.

#### BUSINESS OUTLOOK

##### ❖ Textile Division

The year 2006 was the first year after abolition of quota for textile goods. Trends show that exports of value added textile goods from India are gradually increasing, as the capacities in the advanced and developed countries are closing down due to uneconomical cost of production. As a corollary, the local demand for yarn has picked up which is reflected in this division's domestic sales, accounting for nearly 20% of the overall turnover. Going forward, some portion of the yarn from the spinning division could be used for self consumption in the home textile unit. The management is also considering the option of converting this Division from EOU to a local DTA unit.

India is presently attracting sizeable investment in the textile industry from foreign investors, either directly or through joint ventures. India is set to become a manufacturing hub for the world market in the time to come. Cotton yarn, being a basic industrial raw material for the textile goods, will have good future.

##### ❖ Electronic Division

Consumer electronic industry in India is growing at a faster pace. The competition however has intensified with prices and margins coming down significantly. Large domestic and international brands are vying with each other to expand their reach to the hinterland with products at affordable prices.

2005-06 was the first full year operations of this Division. More than 200,000 colour television sets, air conditioners, etc. were produced for esteemed customers such as LG, Samsung, TCL, etc. Your company also received the 'Best Supplier Award for the year 2005' from the Chinese electronic giant, TCL. The management expects to exploit its capacities further by adding other consumer products to its existing range, which will help the Division to grow its top and bottom line. The Division also has plans to develop its own skills in product designing and will, in future, be able to offer complete range of services to the customer, covering design to completely assembled product.

#### NEW PROJECT

As mentioned in the last year's annual report, your company is implementing a project for made ups in the home textile segment at a cost of Rs. 206 crore, funded by a mix of equity, internal accruals (Rs. 41 crore) and debt under TUF Scheme (Rs.165 crore). This initiative of vertical integration from yarn to made up by setting up wide width fabric designing, weaving, processing and cut/sew facilities will make the company an integrated textile unit, thereby enhancing the value addition and margins. The products this unit will produce include premium range bed linen, pillow cases, table, kitchen linen, etc. both for export and domestic market. The project work is in very advanced stage of completion and the unit is expected to start trial run by August 2006.

Your Directors are confident that the increasing demand for home textile will benefit the company's initiative as well as enhance the value of shareholders in the years to come.

#### DIVIDEND

Your directors are of the view that the upcoming home textile project needs commitment of further funds and therefore have decided to plough back the profits of the year under review. Hence, no dividend has been recommended for the year. The Directors sincerely hope that the members will appreciate that the investment of earnings in the upcoming project will return better dividends in the years to come.

#### MANAGEMENT DISCUSSION AND ANALYSIS

##### ❖ Textile Division

##### Industry structure and developments

After the implementation of the home textile project, your company's manufacturing facilities will become totally integrated from cotton yarn to made ups, making the final products cost competitive. In India, there are only few units in the organized sector having such integrated and modern facilities as those of your company.





## Indo Count Industries Limited

With the abolition of multi fibre agreement with effect from 1<sup>st</sup> January 2005, international trade has undergone a sea change. Export of textile goods from low cost manufacturing countries to the developed economies is on the rise. Asian countries such as China, India, Pakistan, Bangladesh, Sri Lanka, etc. have already improved their market share and are equipping themselves to exploit the situation further.

### Opportunities and threats

Global home textile market is estimated to be of US Dollar 70 billion. Of this, US and European Union, hitherto restricted, account for nearly 45% and are already growing over 6% annually. These markets have opened up since abolition of MFA and offer huge potential for textile goods from India along with other Asian countries.

Increased purchasing power in the middle income group and spawning of malls/retail outlets coupled with growth in the housing have spooked domestic demand for home textile greatly. Thus, local market offers scope for exploitation.

India is becoming increasingly attractive to international textile trading community due to its low cost of production and as an alternate source of supply to China.

### Risks and Concern

Both domestic and international markets have become cost and quality conscious. Cheaper imports could threaten the local players. Overseas markets are already witnessing competition between the low cost Asian producers to claim a fair share in the hitherto restricted markets.

Volatility in commodity prices and foreign currencies are the other major concerns which the industry is likely to face.

Your company has geared up itself to handle these risks by vertically integrating its operations to become cost effective and by pursuing pro active hedging policies.

### Outlook

The outlook for cotton yarn/made ups is very encouraging. The management expects to push the company's performance into higher orbit and to exploit the domestic and international demand fully to its advantage.

### ❖ Electronic Division

#### Industry structure and developments

The Indian market for consumer electronics is dominated by a few large domestic and multi national companies, which, partially outsource manufacturing/ assembling facilities for their products. Your company is one among several such units catering to leading brands.

Your company's business depends up on the allocation to outsourcing units by these brands as also the competitive manufacturing cost structure.

### Opportunities and threats

The Division's cost of production compares favourably with that of the customers and competitors and thus provides an opportunity for the major brands to outsource manufacturing/assembly facilities. Units in non excise duty zones pose competition to your company but their advantage is limited when logistic costs are considered.

### Risks and concerns

Your company continues to depend on the few large market players for its orders.

### Outlook

The Division has established itself as a reliable and cost effective electronic manufacturing services unit. With continued pressure on the existing players to innovate and reduce costs, outsourcing will become more and more inevitable, which will benefit the company.

### SEGMENT

The company is engaged in the manufacture and export of cotton yarn and grey knitted fabrics which are governed by the same set of risks and returns and as such are in a same segment.

The performance of the Electronic Division is reported as a separate segment.

Segment reporting as per AS 17 has been complied with.

### INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The company has in place an elaborate internal control system to ensure proper authorization and accounting of transactions as also for safeguarding and protecting company's assets against loss. The internal auditors check the controls periodically and their report is reviewed by the management and the Audit Committee from time to time. The management feels that the system of internal controls are adequate considering the size of operations of the company.

### HUMAN RESOURCES

During the year, labour relations continued to be cordial. The Company has entered into wage settlement valid till 31-12-2010

Your company has been imparting training to the workers, to improve their working skills and to create awareness about safety measures in the plant premises.

Particulars of employees in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, are not given, as none of the employees qualify for such disclosure.

### CORPORATE GOVERNANCE

The corporate governance report together with a certificate from the Company's auditors confirming compliance of guidelines are made part of this Report as per clause 49 of the listing agreement entered into with the stock exchanges.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- that in the preparation of the accounts for the financial year ended on 31<sup>st</sup> March 2006, the applicable accounting standards have been followed and there are no material departures.
- that the Directors have selected such accounting policies and applied them 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 of the company for the year under review.
- that the Directors have taken proper and sufficient care 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.
- that the Directors have prepared the annual accounts ended on 31<sup>st</sup> March 2006 on a 'going concern' basis.

### DIRECTORS

Mr Nand Kishor Kagliwal has resigned from the Board with effect from 30-07-2005.

In accordance with the provisions of the Companies Act, 1956, Mr. P N Shah, Mr Dilip J Thakkar and Mr J P Mohta retire by rotation and being eligible, offer themselves for reappointment.