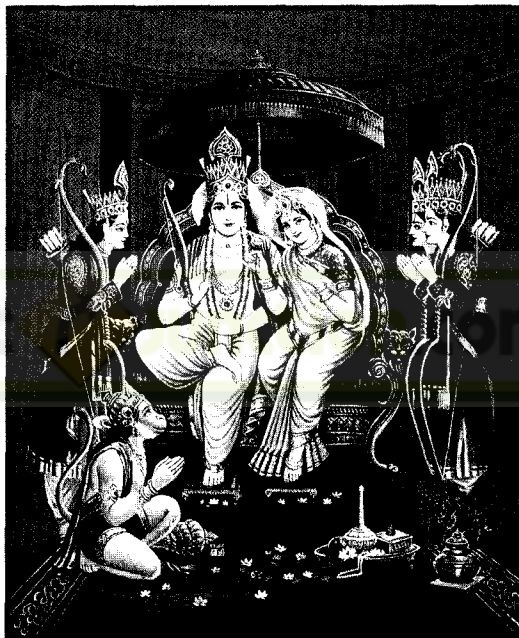


Kamadgiri Synthetics Limited

The Mill of 21st Century



Annual Report 2006



BOARD OF DIRECTORS	Shri. Pradip Kumar Goenka Shri. Lalit Kumar Goenka Shri. Tilak Pradip Goenka Shri. Murarilal Goenka Shri. Subash Kumar Kedia Shri. Brijesh Kumar Tibrewal	Chairman & Managing Director Whole-time Director Director Director Director Director
AUDITORS	R.S. Agrawal & Associates Chartered Accountants, Mumbai	
BANKERS	State Bank of Hyderabad Bombay Mercantile Co-op Bank Ltd. Bank of Baroda Union Bank of India State Bank of India	
REGISTERED OFFICE	28, Y.A. Chunawala Ind. Estate, Kondivita Lane, Andheri (East), Mumbai-400 059.	
FACTORY	31/3, Ganga Devi Road, Umbergaon – 396 171. Dist. – Valsad (Guj.)	
REGISTRAR & SHARE TRANSFER AGENT	Sharex India Pvt. Ltd. Unit No 1, Luthra Industrial Premises Safed Pool, Andheri Kurla Road Andheri East, Mumbai-400 072 Tel:022 28515606/28515644 Fax:022-28512885 Email-sharexindia@vsnl.com	

Contents

<i>Chairman's Note</i>	2
<i>Notice of AGM</i>	3-4
<i>Director's Report</i>	5-7
<i>Annexure to Director's Report</i>	8-10
<i>Corporate Governance Report</i>	11-18
<i>Certification by C.E.O.</i>	19
<i>Auditors' Certificate on Corporate Governance</i>	20
<i>Auditor's Report</i>	21-23
<i>Balance Sheet</i>	24
<i>Profit & Loss Account</i>	25
<i>Cash Flow</i>	26
<i>Schedules to Balance Sheet and Profit & Loss Account</i>	27-40

CHAIRMAN'S NOTE

Dear Shareholders,

I have great pleasure in extending to you all a very warm welcome to the Nineteenth Annual General Meeting of your Company and present before you the performance of your Company.

I am glad to inform you that during the year under review, performance of your company was satisfactory. The Board tried hard to give upward flip to the profitability and turnover and initiated measures to improve overall performance of the company.

BUSINESS AND INDUSTRIAL ENVIRONMENT

The industrial scenario continues to be positive and sustainable for growth and development industry. The capital market is very bullish and strong.

The textile industry is likely to do well in coming years due to lifting of quantitative restrictions and quota barriers. The share, which the industry plans to envisage capturing in the international market could be substantial, provided the industry foster growth in right direction.

The industry anticipates severe competition from China and other South Asian countries on removal of quota regime. The modernization of textile industry, rejuvenation of old textile sick units, speedier and cheap financial assistance, simplification of procedural formalities, introduction of information technology in production, processing, selling and distributions, stricter quality checks are some of the important measures that the textile industry should promote and initiate to overcome threats posed by South East Asian countries.

MODERNIZATION & RATIONALIZATION

The technology is changing very fast. Any company, which keeps pace with the technology, will survive in the business. The new technology always provides time and energy devices. This will lead to saving in labour, time and cost of energy consumption. Your company is updating its machineries every now and then, which enable it to have cutting edge over its competitors. The cost of production also comes down drastically.

PERFORMANCE APPRAISAL

Operation

The performance of the Company improved substantially during the year under review. The total income registered during the year was Rs. 3,666 Lacs as against Rs. 4,893 Lacs in the previous year. There has been some improvement in segment wise production and productivity. Your Company basically operates in three segment namely segment I Synthetic fabrics, Segment II blended yarn and Segment III rent and services.

Exports

During the year under review your Company's export division-registered sales of Rs. 227.53 Lacs only. Your Company initiated several export promotion measures to improve exports.

Financial Performance:

The Profit before tax was Rs. 71.83 Lacs. The after tax profit was Rs. 39.78 Lacs which was decreased substantially due to increase in cost of production and constrained margin.

The Debt: Equity ratio stood at 3.29: 1 in the financial year 2005-06 as against 3.32: 1 in the previous year.

Dividend

Your Board has recommended a dividend at the rate of 5% p.a. as against 10% declared and paid in the previous financial year 2004-05.

Shareholders value

The earning per share increased from Rs. 0.76 to Rs. 2.11 and the Book Value per share increased to Rs. 31.04 from Rs. 30.39. The market value of the Company's share was in price range of Rs. 10 to Rs. 37.95.

THE FUTURE

The year in retrospect was satisfactory. The turnover improved marginally and profitability constrained. I am optimistic to attain reasonable & sustainable growth in the current financial year.

Your management is trying hard to adopt best technology available in the textile and cut down the cost of production drastically.

CORPORATE GOVERNANCE

Your Company has initiated most of the measures prescribed for better corporate governance. The corporate governance will facilitate transparency, accountability and equity in all facets of its operations and its interaction with its stakeholders, including shareholders, employees and the government. Your Company is committed to achieving the highest standards of corporate governance. Your Company believes that all its operations and actions must serve the underlying goal of enhancing overall shareholder value, over a sustained period of time.

CONCLUSION

On behalf of the Board I take this opportunity to convey their sincere appreciation to all the Company's employees, shareholders, investors, Bank and Financial Institution for their continued co-operation and support.

For KAMADIGIRI SYNTHETICS LTD

Pradip Kumar Goenka
Chairman & Managing Director

Place: Mumbai
Date: 30th June 2006

Notice of Annual General Meeting

NOTICE is hereby given that the Nineteenth Annual General Meeting of the Members of the KAMADGIRI SYNTHETICS LIMITED will be held on Wednesday, 27th September, 2006 at 11.30 a.m. at Shree Satyanarayan Goenka Bhavan, 87, J B Nagar, Andheri (East), Mumbai-400 059 to transact the following business.

ORDINARY BUSINESS

1. To receive and adopt the Audited Balance Sheet as at 31st March 2006 and the Profit and Loss Account of the company for the year ended as on that date, together with Directors' and Auditors' Reports thereon.
2. To declare a dividend
3. To appoint a Director in place of Shri. Brijesh Kumar Tibrewal who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri. Murari Lal Goenka 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 with or without modification following as an Ordinary resolution:
 "RESOLVED THAT in partial modification of the Resolution passed in the 11th Annual General Meeting held on 9th September, 2002 consent of the company be and is hereby accorded to under Section 198, 309, 310, Schedule XIII and other applicable provisions of the Companies Act, 1956 ("the Act") to an increase in the remuneration to Shri. Pradip Kumar Goenka Chairman & Managing Director with effect from 1st April, 2006 until the expiry of his appointment i.e. 26th August, 2007, on such terms and conditions as set out in the revised agreement dated 26th May, 2006 between the company and Shri. Pradip Kumar Goenka a copy whereof initialed by the Director for the purpose of identification is placed before this meeting, with liberty to the Board of Directors of the company ("the Board") to alter and vary such remuneration, subject to over all ceiling specified in Part II of the Schedule XIII of the Companies Act, 1956 read with Section 198, 309, and other applicable provisions of the said Act, or any amendments there to or re-enactment thereof as may be agreed between the Board and Shri. Pradip Kumar Goenka."
 "RESOLVED FURTHER THAT the Board be and is hereby authorized to do all acts, deeds, things necessary and expedient and desirable for giving effect to this resolution."

**By Order of the Board of Directors
For Kamadgiri Synthetics Limited**

Place: Mumbai
Dated: 30th June, 2006

**Pradip Kumar Goenka
Chairman & Managing Director**

NOTES

- (a) 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 THE PROXY OR PROXIES SO APPOINTED NEED NOT BE A MEMBER OR MEMBERS, AS THE CASE MAY BE, OF THE COMPANY.
- (b) Proxies, if any, in order to be effective, must be received at the Registered Office of the Company at 28, Y A Chunawala Industrial Estate, Kondivita Lane, Andheri (East), Mumbai 400 059 not less than 48 hours before the commencement of the meeting. Proxies shall not have any right to speak at the meeting.
- (c) The Register of Members and Share Transfer Books will remain closed from 25th day of September 2006 to 27th day of September 2006 (both days inclusive)
- (d) Members are requested to kindly notify to the Registrar and Share Transfer Agent of the company M/S Sharex India Pvt. Ltd. Unit No. 1, Luthra Industrial Premises, Safed Pool, Andheri Kurla Road, Andheri East, Mumbai-400 072. Tel:022-28515606/28515644 Fax:022-28512885 immediately of any change in their addresses.
- (e) Unpaid/Unclaimed Dividend: Pursuant to Section 205 C of the Companies Act, 1956, unclaimed dividend for the Financial Years 1998-99 (final), 1999-2000 (interim), 1999-2000 (final), 2000-01 (Final), 2001-02 (final), 2002-03 (final), 2003-04 (Final), 2004-05 (Final) will be transferred to the Central Government "Investors Education and Protection Fund" 7 years after the date of declaration. Members are requested to claim the same before it is transferred to Investors Education and Protection Fund.
- (f) Members are requested to quote their Folio Numbers in all their correspondence.
- (g) Members desirous of having any information regarding accounts are requested to write to the Company at least 7 days in advance of the date of Annual General Meeting so as to enable the Management to keep the information ready.
- (h) Members are requested to bring their copies of the Annual Report to the Meeting.
- (i) Members are requested to bring with them the attendance slip and hand it over at the entrance duly signed by them.
- (j) Members are requested to demat their shares in order to facilitate easy and faster trading in equity shares.

**By Order of the Board of Directors
For Kamadgiri Synthetics Limited**

Place: Mumbai
Dated: 30th June, 2006

**Pradip Kumar Goenka
Chairman & Managing Director**

KAMADGIRI SYNTHETICS LIMITED

ANNEXURE TO THE NOTICE**Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956****Item No. 1**

At the Eleventh Annual General Meeting held on 9th September 2002 the members' had accorded their approval and consent to the remuneration payable to Shri Pradip Kumar Goenka, Managing Director, with liberty to the Board of Directors ("the Board") to alter and vary such remuneration within the limits specified in Part II of Schedule XIII to the Companies Act, 1956 ("the Act") or any amendments thereto, as may be agreed to by the Board and Shri Pradip Kumar Goenka, Managing Director.

The Central Government has amended Schedule XIII to the Act, thereby revising the limits of minimum remuneration payable to Managerial personnel's and removing restriction on the nature & quantum of remuneration payable by the Company so long as the remuneration paid or payable during the Financial Year was within the limits laid down under Section 198 of the Act. The Remuneration Committee has approved the increase in remuneration of Managing Director.

The Board at its meeting held on 26th May 2006 resolved that subject to the overall ceiling specified in the Schedule III and Section 198 and 309 of the Act, and the approval of the shareholders in General Meeting, the remuneration payable to Shri Pradip Kumar Goenka, Managing Director be varied for the residual period of his service as set out below with effect from 1st April 2006.

1. Salary: Salary in the scale of Rs. 27,000/- per month.
2. Perquisites: The perquisites payable to the Managing Director are listed below, however such perquisites and allowances will be subject to a ceiling of maximum of 125% of the salary of the Managing Director.

Category A**1. Housing**

- a) The expenditure incurred by the Company on hiring unfurnished accommodation for the Managing Director will be subject to ceiling of 60% of the salary over and above 10% payable by the Managing Director which shall be deducted by the Company.
- b) In case the Managing Director is provided accommodation owned by the Company. The Company shall deduct 10% of the salary of the Managing Director.
- c) In case the Company provides no accommodation the Managing Director be entitled to house rent allowance to the ceiling laid down in (a) above.

Explanation I : The expenditure incurred by the Company on gas, electricity, water and furnishing will be valued as per the Income Tax Rules 1962 subject to the ceiling of 10% of the salary.

2. Medical Expenses Reimbursement: Reimbursement of Medical and surgical expenses actually incurred for the self & family, subject to a ceiling of one month salary per year or three months salary in a block of three years.
3. Leave travel Concession: For self & family once in a year in accordance with the rules of the Company.
4. Club Fees: The Managing Director shall be entitled to draw fees of two clubs but excluding admission and life membership fee.

Explanation II : For the purpose of the Section II family means the spouse, dependent children and dependent parents.

Category B

Provident fund and superannuation fund Gratuity and leave encashment at the end of the tenure : Company's contribution to provident fund, super annuation fund or annuity fund, gratuity and encashment of leave at the end of tenure will not be included in computation of the ceiling of remuneration specified in paragraph I of Section II of Schd XIII

Gratuity: Gratuity payable at a rate not exceeding half month salary for each completed year of service subject to a ceiling of Rs. 3,50,000/-

Category C

1. Car and telephone: The Company shall give rent of car on company's business and telephone at residence and these shall not be considered as perquisites, personal long distance calls if any on telephone and use of car for the personal purpose shall be billed by the Company to the Managing Director.
2. Leave: Leave with full pay and allowance at the rate applicable to the senior executive of the Company but normally not exceeding one month leave for every 11 months of service.
3. Reimbursement of entertainment expenses:
The Managing Director shall be entitled to reimbursement of actual entertainment expenditure incurred by him in connection with the business of the Company.

Explanation III : For the purpose of calculating, the above ceiling perquisite and allowances shall be evaluated as per Income Tax Act & Rules, wherever applicable. In the absence of such rules, perquisites and allowances shall be evaluated at actual cost. The revised agreement dated 26th May 2006 entered between the Company and Shri Pradip Kumar Goenka, Managing Director has been kept for inspection of the member's at the Registered Office of the Company at 28, Y.A. Chunawala Ind. Estate, Kondivita Lane, Andheri (E), Mumbai -400 059 between 11.00 a.m. to 1.00 p.m. on all working days. Your Directors' recommend payment of increased remuneration to Shri Pradip Kumar Goenka, Managing Director for the residual tenure of his office.

Shri Pradip Kumar Goenka is interested or concerned in this resolution.

Shri Tilak Pradip Goenka son of Shri Pradip Kumar Goenka shall deemed to be interested or concerned in this resolution.

None of the other Directors is interested or concerned in this resolution.

By Order of Board of Directors

Pradip Kumar Goenka
Chairman & Managing Director

Place : Mumbai.

Dated : 30th June 2006

KAMADGIRI SYNTHETICS LIMITED

The Mill of the 21st Century

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting the Nineteenth Annual Report with audited accounts for the year ended 31st March 2006.

FINANCIAL PERFORMANCE

Particulars	31 March 2006 (Rupees)	31 March 2005 (Rupees)
Turnover	366565627	481754911
Profit before tax	7183072	3977789
Less: Provision for current tax	2138000	302000
Add/Less: Net deferred tax assets/liability	1542600	1527300
Add/Less: Prior period adjustment-	-	-122064
Less: Fringe Benefit tax	-255000	0
Profit after tax	6332672	2148489
Less: Add: tax adjustment of earlier year	1292768	214
Profit & Loss account balance brought forward	12638871	14033409
Profit available for appropriation	17678775	16059621
Appropriation:		
General Reserve	0.00	0.00
Proposed dividend	1500000	3000000
Tax on proposed dividend	210375	420750
Balance carried to Balance Sheet	15968400	12638871

OPERATIONS

Your company has performed reasonably well during the year. During the year under review the production of Grey fabrics, finished fabrics and yarn were 35.05 Lacs Metres, 2.61 Lacs Metres and 1792.886 Tones respectively as against 43.61 Lacs Metres 6.97 Lacs Metres and 1590.852 Tones in the corresponding period in the previous year.

DIVIDEND

Your Directors are pleased to recommend a dividend @ 5% on the subscribed Capital i.e. Rs.30000000/- absorbing Rs.15.00 Lacs subject to payment of corporate tax at the applicable rate or rates, which if declared at the forthcoming Annual General Meeting will be paid to the members whose names appear on the Register of Members as on 27th September, 2006.

EXPORTS

During the year 2005-06 your Company's export division registered sales of Rs. 227.53 Lacs as against Rs. 513.56 Lacs, down by Rs. 286.03 Lacs from last year. The Company is selective about export of fabrics due to wafer-thin margin of profit.

DEMATERIALIZATION OF SHARES

The equity shares of the Company has been dematerialized by joining depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited. The ISIN No. allotted to the company is INE 103E01016.

SHIFTING OF THE REGISTERED OFFICE

The Company has shifted the Registered Office of the Company from 10, Singhania Wadi, 187, Dadi Seth Agiary Lane, Mumbai-400 002 to 28, Y A Chunawala Industrial Estate, Kondivita Lane, Andheri (East),

KAMADGIRI SYNTHETICS LIMITED

Mumbai-400059 effective from 13th April, 2006. Members are requested to note the change in Registered Office of the Company for future correspondence.

CORPORATE GOVERNANCE

Certificate of auditors' of your Company regarding compliance of conditions of corporate governance as stipulated in Clause 49 of the Listing Agreement with stock exchange is enclosed. Your company has been practicing the principles of good corporate governance over the years. The Board supports broad principles of corporate governance and lay emphasis on transparency, accountability and integrity. The Company has adopted a code of conduct applicable to Directors' and senior managers of the Company as stipulated in the revised clause 49 of the Listing Agreement effective from 1st January 2006.

PARTICULARS OF EMPLOYEES

The Company does not have any employee whose particulars are required to be given under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended upto date.

DISCLOSURE OF PARTICULARS

Information as per 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 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are given in Annexure forming part of this report.

PUBLIC DEPOSIT

The Company has not accepted any deposit from the public during the financial year under review.

INSURANCE

The assets of the Company have been adequately insured against the risk of fire & other risks.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri.Brijesh Kumar Tibrewal and Shri.Murari Lal Goenka Directors retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment

Shri. Narayan Prasad Goyal, a well known businessman and one of the major shareholder of the Company was appointed as a Director with effect from 30th January, 2006 however, due to some unavoidable circumstances Shri. Goyal could not continue as Director and resigned immediately thereafter on 31st January 2006. The Board was anticipating a long association from Shri. Narayan Prasad Goyal.

POSTAL BALLOT

During the financial year Company conducted a postal Ballot to seek the approval of the members of the company by an Ordinary Resolution under Section 293(1)(a) of the Act, for selling, transferring or otherwise disposing off substantial undertaking of the company being Spinning Machinery and DG Sets, as set out in the Notice Under Section 192 A. Mr. Aqueel A Mulla, practicing Company Secretary, supervised the said Postal Ballot and the result of the said Postal Ballot was declared by the Chairman & Managing Director Mr. Pradip Kumar Goenka at a proceeding held on 2nd March, 2006. and all procedure pertaining to Postal Ballot has been complied with. The result of the Postal Ballot carried by majority with 30 members (holding 1647186 Equity Shares) voted in favour and 3 Members (holding 361715 Equity Shares) opposed resolution and 3 ballots were found invalid.

AUDIT COMMITTEE

In pursuance to the clause 49 of the Listing Agreement the company has an audit committee consisting of

KAMADGIRI SYNTHETICS LIMITED

The Mill of the 21st Century

following Directors:

1. Shri. Murarilal Goenka- Chairman
2. Shri. Brijesh Kumar Tibrewal-Member
3. Shri. Subash Kumar Kedia-Member

REMUNERATION COMMITTEE

In pursuance of the clause 49 of the Listing Agreement the company has a Remuneration Committee comprising/consisting of the following Directors: -

- | | |
|-------------------------------|----------|
| 1) Shri Subhash Kumar Kedia | Chairman |
| 2) Shri Murarilal Goenka | Member |
| 3) Shri Brijeshkumar Tibrewal | Member |

AUDITORS

The Auditors of the Company M/s. R. S. Agrawal & Associates, Chartered Accountants, Mumbai hold office upto the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

AUDITORS REPORT

The Report of the Auditors' is self-explanatory and do not require any further elucidation.

COST AUDIT

Your Company is following the order issued under the Section 209(1)(d) of the Companies Act, 1956 as amended in respect of manufacture of textiles. The Company has been maintaining cost accounting records as required in the above referred provision of the Companies Act, 1956 as amended. Ms Ketki D Visariya, Cost Accountant, has been appointed as a cost auditor for the financial year 2006-07.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956 as amended with respect of Directors responsibility statement, it is hereby confirmed: -

1. That the preparation of accounts for the Financial Year ended 31st March, 2006, the applicable accounting standards have been followed along-with proper explanation relating to material departures.
2. That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the Financial Year and the Profit or Loss of the Company for the year under review.
3. 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 as amended for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. That the Directors' have prepared the accounts for the financial year ended 31st March 2006 on a going concern basis.

ACKNOWLEDGEMENTS

Your Directors are thankful to you, our bankers, customers, employees and to all those who have extended their committed support to the progress of your Company.

**For and on behalf of the Board of Directors
For Kamadigiri Synthetics Limited**

Place: Mumbai

Dated: 30th June, 2006

**Pradip Kumar Goenka
Chairman & Managing Director**

KAMADGIRI SYNTHETICS LIMITED

ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 2006

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENTS

The market for the textile and garments industry has been growing and next couple of years will see phenomenal growth and creation of the capacities. The removal of the quantitative restriction and quota system will benefit major textile manufacturers viz. China and India. The major brands of the world are likely to outsource their needs from textile manufacturing countries to reap the cost advantage. The control of cost of production and having better product mix to meet the global changing need is indispensable. Your company is taking all initiatives for the sustainable growth and development of the company.

The budgetary provisions to make the industry global acceptable and competitive and up gradation of technology through high speed power efficient machinery with generous financial assistance from the bank are the steps hailed by the industry. The low basket currency countries with cheap labour would be a real threat to the in-house/domestic manufacturers.

OPPORTUNITIES AND THREATS:

Domestic & export market will likely to improve. Government's policy of liberal finance to the industry for technology upgradation and modernization is widely hailed. The textile industry being largest earner of foreign exchange will continue to be front-runner.

China the production house of the world would be a real threat to the industry. The privileges enjoyed by the Chinese manufacturers have to be reciprocated by offering few privileges if not all to Indian textile industry. The goodwill and quality of textile offered by the Indian exporters will be continued to be trusted by all American and European countries. India being the oldest and largest grower and manufacturer of the natural fibre would enjoy the advantage. The outsourcing to the foreign international outfits, brands may bring good results for the industry.

Your company through efficient production management system, automation and modernization and better product mix is confident of minimizing the risks that may be arising by overall increase in cost of production.

PRODUCT WISE PERFORMANCE:

Your Company operates in three segments. The segment (I) is manufacturing of synthetic fabrics, segment (II) dealt with manufacturing of blended yarn and segment (III) dealt with rent and services.

The segment wise performance of the Company was satisfactory with each segment contributing to the total production and profitability of entire plant. The segment wise turnover was Rs.2294.46 Lacs of synthetic fabrics, Rs. 1614.71 Lacs of blended yarn and Rs. 16.52 Lacs for rent and services respectively.

OUTLOOK:

The outlook as forecasted by your Directors will be positive. Your company has successfully implemented many modernization and rationalization projects. Your Directors regularly review the production system and adopt best technology available in weaving and spinning. The production and profitability improves after adoption of every new technology.

RISKS AND CONCERNS:

The increase in cost of production and constrained margin are the major area of concern. Your Company is taking all effective steps to see that cost of production brought to minimum. The competition from across the border especially South East Asian countries is a special concern to the textile and yarn market.

INTERNAL CONTROL SYSTEM AND ITS ADEQUACY:

Your company is following a proper and adequate system of internal control in respect of all its activities including safeguarding and protecting its assets against loss or unauthorized use or disposition. Further all transactions entered into by the company are duly authorized, recorded correctly. The Board closely watches and monitors all expenses incurred on various heads. The attempt is made to reduce cost centers. All policies and procedures and guidelines have been documented. Your Company is using advanced customized software system, which is upgraded time to time to suit the system need of the company.

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE:

During the year under review the total production of the synthetic fabrics and blended yarn were 37.66 Lacs Metres and 1792.886 Tones respectively as against 50.58 Lacs Metres and 1590.852 Tones in the previous financial year thereby registering decrease in synthetic fabrics by 12.92 Lacs Metres and increase by 202.034 Tones in yarn production respectively. The Profit before tax recorded during the year was Rs.71.83 Lacs as against Rs.39.78 Lacs in the previous financial year. During the year under review the profit margin improved slightly compared to previous year, however the volume in monetary terms decreased, as the Spinning unit mainly operated on job work basis.

MATERIAL DEVELOPMENT IN HUMAN RESOURCE/INDUSTRIAL RELATIONS FRONTS:

Human resource development is prime important to every organization. The Company pays required attention on the development of workers and staff. Maintaining cordial relation and friendly relation and solving workers problems through negotiation amicably is in the interest of the company. Your Company is envisaging plans to improve productivity of the workers and staff. Some of the measures being taken are to make the work more interesting, training, job rotation and job satisfaction. The Company gives incentives for better performance and recognizes individual achievement of the workers and staff. The industrial relation climate in your company was harmonious and constructive. The company at the close of the financial year employed 39 persons excluding contract workers.

CAUTIONARY STATEMENT:

Statement in the report of management discussion and analysis describing the company's objective, projections, estimates, expectation or predictions may be "forward looking statement" within the meaning applicable of Securities Laws or Regulations. These statements are based on certain assumptions and expectations for the future events. Actual results could differ materially from those of future events. Actual results could differ materially from those expressed or implied. Important factors that could make difference to the company's operation's include economic condition affecting global and domestic demand supply, finished goods prices in the domestic and overseas market in which the company operates, raw materials cost and availability, changes in Government regulations, tax regimes, economic developments within India and other factors such as litigation and industrial relations. The company assumes no responsibility to publicly amend, modify or revise and forward looking statements, on the basis of any subsequent development, information or events.

KAMADGIRI SYNTHETICS LIMITED

The Mill of the 21st Century