



KANCO ENTERPRISES LIMITED

Annual Report & Accounts 2006-2007

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BOARD OF DIRECTORS

Sri U. Kanoria

Chairman & Managing Director

Sri G. R. Basotia

Wholetime Director

Sri G. Momen

Sri P. K. Bhattacharjee

Sri P. K. Poddar

Sri A. K. Jain

Directors

COMPANY SECRETARY

Sri D. Arya

AUDITORS

M/s. Jain & Co.

Chartered Accountants

BRANCH AUDITORS

M/s. Dalal & Shah

Chartered Accountants

COST AUDITORS

M/s. N D Birla & Co.

Cost Accountants

BANKERS

State Bank of India

Punjab National Bank

REGISTERED OFFICE

Jasmine Tower, 3rd Floor

31, Shakespeare Sarani, Kolkata 700 017

Telefax: 2281 5217

Email: kanco@vsnl.com

Website : www.kanco.in

BRANCH OFFICE

207, Shitiratna, 2nd Floor

Panchavati Circle, Ahmedabad 380 006

TEA DIVISION

Mackeypore Tea Estate

P.O. Nazira 785 685

Dist. Sivasagar (Assam)

TEXTILE DIVISION

Kanco Overseas

Village: Walthera

Taluka : Dholka 387 810

Dist. Ahmedabad (Gujarat)

SHARE REGISTRARS

M C S Limited

77/2A, Hazra Road

Ground Floor, Kolkata 700 029

Phone : 2454 1892-93

Fax : 2454 1961

Email : mcsca@cal2.vsnl.net.in



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the SIXTEENTH ANNUAL GENERAL MEETING of the members of KANCO ENTERPRISES LIMITED will be held at "Kalakunj", 48 Shakespeare Sarani, Kolkata-700 017 on Saturday, the 28th July, 2007 at 10.30 A.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2007, Audited Profit & Loss Account for the year ended on that date and Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Sri P K Bhattacharjee who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Sri P K Poddar who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and authorise the Board of Directors 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 in accordance with the provisions of Sections 198, 269, 309 read with Schedule XIII and other enabling provisions of the Companies Act, 1956 ('the Act'), approval of the Company be and is hereby accorded to the appointment and remuneration of Mr. Govind Ram Basotia, Wholtime Director appointed by the Board of Directors ('the Board') on 10th May, 2007 for a period from 10th May, 2007 to 30th June, 2012, on the terms/conditions including payment of minimum remuneration in accordance with the Schedule XIII to the Act, contained in the draft agreement approved by a resolution passed by the Remuneration Committee and the Board, an abstract whereof circulated to the members pursuant to Section 302 of the Act, 1956 and annexed to the Notice of Sixteenth Annual General Meeting."

"FURTHER RESOLVED THAT the Board of Directors be and is authorised to take all steps necessary for implementing this resolution."
6. To consider and if thought fit to pass, with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, 310 read with Schedule XIII and other enabling provisions of the Companies Act, 1956 ('the Act'), approval of the Company be and is hereby accorded to variation effective from 1st April, 2007 in the remuneration of Mr. Umang Kanoria, Managing Director by substitution of the existing Clause (ii) under Perquisites- 'Housing' by the following Clause: '(ii) In case the accommodation is provided by the Company, deduction from the Salary shall be at such percentage/amount of deduction as may be prescribed by the applicable provisions of the Income Tax Act, 1961'."

"FURTHER RESOLVED THAT the Board of Directors be and is authorised to take all steps necessary for implementing this resolution."
7. To consider and if thought fit to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT the Board of Directors be and is hereby authorised to appoint individual(s) or firm other than the Company's Auditors at Head Office, as Branch Auditors pursuant to Section 228 of the Companies Act, 1956 and to fix their remuneration for the audit of accounts of its Textile Division at Ahmedabad for the financial year ending 31st March, 2008."

Registered Office :
 Jasmine Tower, 3rd Floor
 31, Shakespeare Sarani, Kolkata 700 017
 Dated, the 10th day of May, 2007

By Order of the Board
 for KANCO ENTERPRISES LIMITED

D. ARYA
 Company Secretary

NOTICE OF ANNUAL GENERAL MEETING (Contd.)

Notes :

- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON POLL, IN HIS STEAD. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- Proxies in order to be effective must be received by the Company at the registered office address not less than 48 hours before the meeting.
- The Register of Members and Share Transfer Register shall remain closed with effect from July 23, 2007 to July 28, 2007 (both days inclusive).
- The shareholders are requested to communicate to the Registrar & Transfer Agent, change in address, if any, at the address given in the Annual Report.
- Members are requested to preferably send their queries to the Registered Office 7 days before the date of the AGM.
- The documents pertaining to the Items 5 and 6 are available for inspection at the Registered Office of the Company during 11 A.M. to 1.30 P.M. on all working days.
- In accordance with the Clause 32 as amended, abridged Statement of Accounts is being sent to the members. However, complete Statement of Accounts for the financial year ended 31st March, 2007 shall be provided to them on written request & be available for inspection at the Registered Office of the Company in accordance with the applicable law; and a soft copy thereof shall also be posted on the website - www.kanco.in.
- The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is appended below.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 ("the Act")

Item No. 5

The Board of Directors at its meeting held on 10th May, 2007 appointed Mr. G R Basotia as Wholetime Director at the remuneration contained in the abstract of appointment circulated to the members. Prior to his appointment as Wholetime Director, Mr. Basotia was Chief Executive of the Company's textile division known as Kanco Overseas. He is a veteran in the textile industry with about 40 years of experience and his appointment as Wholetime Director will also facilitate smoother implementation of further expansion of capacity being planned for Kanco Overseas.

In accordance with the Schedule XIII to the Act, the appointment and remuneration of Mr. Basotia is placed before the members for their approval.

Mr. G R Basotia is interested in the appointment. No other Director is concerned or interested in the resolution.

Item No. 6

The members had approved the remuneration payable to Mr. U Kanoria, Managing Director at the Fifteenth Annual General Meeting held on 28th July, 2006 which inter alia provides for a deduction of 20% of Salary in case the accommodation is provided to him by the Company. However, as per the recent amendment in the Income Tax Act, 1961, the said percentage has been amended to such percentage as may be applicable to a slab subject to population in towns/cities of India. The resolution to facilitate compliance with the said Act is placed before the members in accordance with the Schedule XIII. The Directors recommend passing of the resolution.

None of the Directors except Mr. U Kanoria is concerned or interested in the resolution.

Item No. 7

It is proposed to appoint Branch Auditors other than the Auditors appointed at Head Office for carrying out audit of the Accounts of its Textile Division at Ahmedabad in Gujarat for the financial year ending 31st March, 2008. The resolution seeks to obtain the members' consent as required under Section 228 of the Act.

The Directors recommend the resolution for your acceptance. None of the Directors is concerned or interested in this resolution.



ANNEXURE TO THE NOTICE of Sixteenth AGM (Contd.)

To

The Members of the Company,

Abstract of the terms of appointment of Mr. G R Basotia as Wholetime Director pursuant to Section 302 of the Companies Act, 1956

The Board of Directors at its meeting held on 10th May, 2007 has approved the appointment of Mr. Govind Ram Basotia as Wholetime Director w.e.f. 10th May, 2007 for a period ending on 30th June, 2012.

As required under Section 302 of the Companies Act, 1956, the Abstract of the terms of appointment and remuneration of Mr. G. R. Basotia is as follows:

Terms	Particulars
Period of Agreement	From 10th May, 2007 till 30th June, 2012
Salary	Rs. 52,000/- per month in the Scale of 52,000-56,000- 60,000-64,000 68,000-72,000
Bonus	As per the Rules of the Company
Perquisites	
Electricity, Water and Furniture/Fixtures	Expenditure incurred to be valued as per Income Tax Rules, 1962
Medical Reimbursement	Medical expenses incurred including hospitalisation, surgical charges, for self and family and travel relating thereto, restricted to half a month's salary.
Leave Travel Concession	For self and family in accordance with the Rules of the Company.
Personal Accident Insurance	Annual Premium not to exceed Rs.3,000/-

Perquisites not to be included in the computation of ceiling on remuneration specified above: (i) Provision of Company car for official purpose and telephone at residence (including payment for local calls and long distance official calls), (ii) The Company's contribution towards Provident Fund and Super Annuity Fund as per the Rules of the Company but restricted to the extent not taxable under the Income Tax Act, 1961. (iii) Gratuity not exceeding one-half month's salary for each completed year of service. (iv) One month's leave with full pay and perquisites. Encashment of accumulated leave (maximum accumulation of 75 days allowed) restricted to 30 days in a financial year. Encashment of leave at the end of service not to be included in the computation of ceiling. (v) Reimbursement of entertainment expenses actually incurred for the Company.

Minimum Remuneration

In the event that the Company in any financial year during the tenure of the above named managerial personnel, has no profits or its profits are inadequate, the remuneration payable to Mr. G R Basotia as Wholetime Director by way of salary and perquisites shall be the remuneration drawn by him as given above, the same being in accordance with and to the extent provided in the Schedule XIII to the Companies Act, 1956.

Terms and Conditions

1. Mr. G R Basotia will not, so long as he functions as such Wholetime Director, become interested or otherwise concerned directly or through his spouse and/or minor children in any selling agency of the Company in future unless permissible by the applicable laws prevailing at the relevant time.
2. Wholetime Director and the Company shall have the right to terminate the appointment by giving three months' prior notice in writing.
3. Subject to supervision, direction and control of the Board, the Wholetime Director would be entrusted with powers of management with such restrictions as may be deemed expedient by it from time to time.

Memorandum of Interest

Mr. G R Basotia is interested in the appointment.

By Order of the Board
for KANCO ENTERPRISES LIMITED

D. ARYA
Company Secretary

Kolkata, the 10th day of May, 2007



ANNEXURE TO THE NOTICE of Sixteenth Annual General Meeting ('AGM')

To
The Members of the Company,

Abstract of the terms of variation in remuneration of Mr. Umang Kanoria as Managing Director pursuant to Section 302 of the Companies Act, 1956

The members at the Fifteenth Annual General Meeting (AGM) held on 28th July, 2007 approved the appointment and remuneration of Mr. Umang Kanoria as Managing Director w.e.f. 1st August, 2006 for a period ending on 31st July, 2009. The Board of Directors at its meeting held on 10th May, 2007 has decided to vary the remuneration payable to Mr. U Kanoria as Managing Director as follows :

1. The existing Clause (ii) under Perquisites dealing with Housing as given below is to be substituted by the Clause (ii) set opposite it and as required under Section 302 of the Companies Act, 1956, the Abstract of the terms of such variation in the remuneration of Mr. U Kanoria is as follows :

Perquisites	Existing	Varied / Altered to
Housing	(i) Furnished accommodation or house rent allowance.	No change.
	(ii) In case the accommodation is provided by the Company, 20% of salary to be deducted.	(ii) In case the accommodation is provided by the Company, such percentage/amount of deduction as may be prescribed by the Income Tax Act, 1961.
	(iii) In case no accommodation is provided by the Company, House Rent Allowance @ 30% of Salary.	No change.

2. The above variation shall be effective from 1st April, 2007.
3. *All other terms and conditions of appointment and remuneration of Mr. U Kanoria as Managing Director shall remain the same as approved at the Fifteenth AGM.*

Memorandum of Interest

Mr. U. Kanoria is interested in the variation of remuneration.

By Order of the Board
for KANCO ENTERPRISES LIMITED

D. ARYA
Company Secretary

Kolkata, the 10th day of May, 2007



DIRECTORS' REPORT

Dear Shareholders,

Your Directors present their Sixteenth Annual Report and Audited Accounts for the year ended 31st March, 2007.

FINANCIALS

Your Company's financial performance was as follows :

	2006-2007		2005-2006
	(Rs. in lacs)		(Rs. in lacs)
Profit Before Interest, Depreciation and Tax	845.17		917.28
Less : Interest	307.28		272.96
Gross Profit for the year	537.89		644.32
Less : Depreciation	440.11		615.61
Profit Before Tax	97.78		28.71
Less : Provision for			
Current Tax	11.82		4.09
Fringe Benefit Tax	7.36	19.18	10.75
			14.84
Add/Less : Deferred Tax	25.95		132.70
Add/Less : MAT Credit Entitlement	11.48	37.43	3.67
			(129.03)
Profit/(Loss) After Taxation		116.03	(115.16)
Balance Brought Forward from Last Account		(153.66)	(38.50)
Balance Carried to Balance Sheet		(37.63)	(153.66)

DIVIDEND

With a view to conserving resources, the Directors do not recommend any dividend for the year under review.

LISTING

The Company's Equity Shares are listed at the Calcutta Stock Exchange Association Limited, 7 Lyons Range, Kolkata-700 001 ('CSE') and the listing fees till the financial year ending on 31st March, 2008 have been paid.

Application has been made to Bombay Stock Exchange Limited ('BSE') for listing of the Company's equity capital thereat and the same is under consideration of BSE.

OPERATIONS

Your Company's operating profit during the financial year ended 31st March, 2007 was adversely affected mainly due to lower average sales realization of tea, higher input costs, particularly the cost of power & fuel and appreciating Rupee impacting the margins of textile division.

Tea Division

North-India crop recorded marginal increase and the demand for teas at auctions was reasonably firm during the year under review.

The division's own crop increased by about 12% as compared to the last year, however, quality of teas suffered substantially due to shortage of labour during the crucial periods resulting in decline in the average realization per kg of tea sold which coupled with rising cost of inputs adversely affected the performance during the year under review.

Capital expenditure of about Rs. 130 lacs was incurred during the financial year ended 31st March, 2007 on upgrading the division's facilities for production of improved quality teas.



DIRECTORS' REPORT (Contd.)

Though todate crop of the division is behind in comparison to that in the corresponding period in the previous year, due to adverse weather conditions experienced in the last quarter of the financial year under review, with the steps being taken to mitigate the shortage of labour and expectation of favourable weather combined with better field practices, the division expects to recover a reasonable portion of the crop-loss in the remaining part of the current year.

The outlook for current year is optimistic in view of improved average sales realisations expected from sharp focus on manufacture and aggressive marketing of quality teas and stringent cost control measures adopted by the division.

Textile Division

Abolition of quota regime has led to continuing capacity expansion drive in all the segments of Indian Textile Industry aided by the Government's Technology Upgradation Fund Scheme (TUFS) to capture the market opportunities and reap the consolidation benefits.

Production of Cotton Yarn and the average sales realisation improved, however, the appreciating Indian Rupee and higher power & fuel costs exerted tremendous pressure on the margins and in spite of record crop, cotton prices ruled firm on global cues, affecting the performance of the division accordingly during the year under review.

We take pleasure to report that the Company was awarded third prize in the Energy Conservation for the Textile Sector, by the Government of India, Ministry of Power.

The division embarked upon forward integration by installation of Knitting Machines with a capacity for average annual production of about 10 lac kgs of Fabrics.

In line with the Textile Industry, recent unprecedented appreciation in the Rupee and high power & fuel cost due to continuing rise in International oil prices impacted the division's performance. However, the expectation of exchange value of Rupee stabilizing in the coming months, growing demand through consolidation of vendor base by the global buyers, contribution to topline and bottomline from the expanded capacity and forward integration to cater to broader markets make the outlook for current year encouraging.

EXPANSION PROJECT

The expansion project financed by Rights Issue and Term Loans has been implemented and commercial production from the augmented capacity at the Company's Textile Division known as Kanco Overseas, commenced in early March, 2007.

Further, the steps have been taken for the second phase of expansion envisaging addition of 5280 spindles to the facilities at Kanco Overseas for manufacture of Cotton Combed Yarn.

FIXED DEPOSITS

The amount outstanding as on 31st March, 2007 on account of Fixed Deposits aggregating Rs.57.71 lacs is yet to mature and all the deposits that matured during the year were repaid with interest due thereon and nothing remains unclaimed.

CORPORATE GOVERNANCE & MANAGEMENT DISCUSSION AND ANALYSIS

A separate report on Corporate Governance incorporating therein the Management Discussion & Analysis along with Auditor's certificate on its compliance is attached to and forms part of this Report.

DIRECTORS

Mr. Atul Doshi resigned from the office of Wholetime Director on 17th November, 2006.

Messrs P K Bhattacharjee and P K Poddar, Directors, retire by rotation at the ensuing Annual General Meeting and are eligible for re-election.



DIRECTORS' REPORT (Contd.)

Mr. G. R. Basotia has been appointed as Wholetime Director on 10th May, 2007. An Abstract of appointment of Wholetime Director is annexed to the Notice of ensuing Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors state that:

- Appropriate Accounting Standards as are applicable to the Annual Statement of Accounts for the financial year ended 31st March, 2007 have been followed in preparation of the said accounts.
- The Directors have followed the accounting policies as described in the Schedule 20 (Notes on Accounts) and applied them consistently to facilitate true and fair view of the state of affairs of the Company.
- Sufficient care has been taken to maintain accounting records of the Company.
- The statement of accounts has been prepared on a going concern basis.

AUDITORS

Messrs Jain & Co., Chartered Accountants, Auditors of the Company retire at the conclusion of this Annual General Meeting and have submitted the certificate pursuant to Section 224(1)(B) of the Companies act, 1956 about their eligibility for re-appointment.

PROMOTER GROUP

In accordance with the SEBI (Substantial Acquisition and Takeovers) Regulations, 1997, details of Promoters, Promoter Group and its constituents are disclosed in a statement annexed to this Report.

PERSONNEL

The particulars of employees pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable as no employee was in receipt of remuneration to the extent laid down in the said Rules.

Industrial relations were cordial during the year under review. The Directors express appreciation of the efficient services rendered by the employees.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

A statement pursuant to Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 on conservation of energy, technology absorption, foreign exchange earnings and outgo is annexed to and forms part of this Report.

ACKNOWLEDGEMENT

Your Directors place on record their appreciation of the cooperation and support extended by the Banks/ Financial Institutions and all other business partners.

For and on behalf of the Board

U. KANORIA
Chairman

Kolkata, 10th May, 2007



ANNEXURE TO DIRECTORS' REPORT

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 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2007

Energy Conservation measures taken :

This year also the Company has won prize for the " NATIONAL ENERGY CONSERVATION AWARD 2006 " organized by the Bureau of Energy Efficiency (Govt. of India, Ministry of Power) and stood third in the textile sector. The award was received by Shri G. R. Basotia, then Chief Executive of Kanco Overseas from the Honorable Union Minister of Power, Shri Sushil Kumar Shinde.

The Company has implemented the following power saving measures by way of :

- (i) Providing cyclic timers for OHTC of Simplex machines – Saving 166 units/day
- (ii) Providing cyclic timers for waste collection system of Humidification plants – Savings 235 units/day
- (iii) Mills over head tank water filling made directly from bore-well and eliminated 30 kw pump of under ground tank – Saving 366 units/day
- (iv) Eliminated and stopped one 500 KVA transformer by re-shuffling power distribution system – Saving 60 units/day
- (v) Reduction in no. of fan blades of post spinning H-plant – Saving 288 units/day

Total energy consumption per unit of production is furnished in the prescribed Form "A" annexed hereto.

FORM-A

Particulars with respect to Conservation of Energy

	TEA DIVISION		TEXTILE DIVISION	
	Current Year	Previous Year	Current Year	Previous Year
(A) POWER & FUEL CONSUMPTION				
(1) Electricity				
(a) Purchased (Units)	11,44,491	10,46,928	10,57,665	9,00,180
Total Amount (Rs.)	66,39,505	59,82,010	68,26,312	57,45,637
Rate/Unit (Rs.)	5.80	5.71	6.45	6.38
(b) Own Generation				
i) Through LDO/FO/Diesel (Units)	4,47,605	4,42,916	2,19,49,826	1,84,98,800
Unit per ltr.	3.93	3.90	4.26	4.28
Cost/Unit (Rs.)	8.37	7.56	3.86	3.54
ii) Through Steam Turbine/Generator (Units)	—	—	—	—
(2) Coal (Specify quality and where used)				
(3) Furnace Oil				
Quantity (K. Ltr.)	0.10	89.34	5,036	4,107
Total Amount (Rs.)	2,219	17,55,828	8,13,67,389	5,93,78,097
Average Rate (Rs./K. Ltr.)	22,190	19,653	16,157	14,457
(4) Others/Internal Generation				
(a) Gas				
Quantity (cm ³)	20,87,639	17,51,599	—	—
Total Cost (Rs.)	66,36,616	45,57,244	—	—
Rate/Unit (Rs./cm ³)	3,179	2,602	—	—
(b) LDO/DIESEL				
Quantity (K. Ltr.)	—	—	114	219
Total Cost (Rs.)	—	—	32,07,183	57,97,968
Average (Rs./K. Ltr.)	—	—	28,133	26,518
(B) CONSUMPTION PER UNIT OF PRODUCTION				
		Unit	Current Year	Previous Year
(i) Black Tea				
Electricity		Kgs.		
Furnace Oil		Unit	0.67	0.69
Coal		Ltrs.	—	0.04
Gas		Kgs.	—	—
		Cm ³	0.88	0.81
(ii) Yarn				
Electricity		Kgs.		
Coal		Unit	4.22	4.04
		Kgs.	—	—
(iii) Knitted Fabrics				
Electricity		Kgs.		
		Unit	0.244	—

For the above, there is no prescribed standard.



KANCO ENTERPRISES LIMITED

ANNEXURE TO DIRECTORS' REPORT (Contd.)**RESEARCH & DEVELOPMENT (R & D) FORM-B**

	TEA DIVISION	TEXTILE DIVISION															
(1) Specific areas in which R & D carried out by the Company	The Division subscribes to Tea Research Association which is registered u/s 35(1) (ii) of the Income Tax Act, 1961.	(a) Reduced rough spindles on ring frame by application of Uster Tester-3 spectrogram analysis. (b) Optimized card settings by continuous application of AFIS and Classimat-3. (c) With the continuous application of HFT 9000 (high volume cotton testing instrument) set the cotton selection parameters.															
(2) Benefits derived as a result of the above R & D	The Division benefits from the suggestions received from the Association out of R & D activities.	(a) Rough spindles are controlled there by improved yarn quality consistency. (b) Reduction in fibre breakages, there by reduction in waste level and short fibre content in the silver, which reduces comber waste % and improves yarn quality. (c) Helped in maintaining homogeneous cotton mixing for a long period for consistent yarn quality.															
(3) Future plan of action	The Division wishes to continue the membership of Tea Research Association.	(a) Planning to replace Loeffe YM 800 EYC with SIRO YM 900 EYC in 3 no. autoconers. (b) Planning to replace mechanical autolevellers with electronic autolevellers in Crosrol cards to improve sliver evenness. (c) Planning to modify old C 1/3 cards to improve sliver quality. (d) Planning to install VXL waste collection system in Blow Room to avoid micro-dust going in to the environment. (e) Installed self cleaning top combs in one E-60 comber. Planning to install in all E-60 combers to improve sliver quality.															
(4) Expenditure on R & D	Nil	<table> <tr> <th></th><th>2006-2007</th><th>2005-2006</th></tr> <tr> <td>(a) Capital</td><td>Rs. 1,82,603</td><td>Rs. —</td></tr> <tr> <td>(b) Recurring</td><td>Rs. 10,51,742</td><td>Rs. 7,57,003</td></tr> <tr> <td>(c) Total</td><td>Rs. 12,34,345</td><td>Rs. 7,57,003</td></tr> <tr> <td>(d) Total R & D Expenditure as a percentage of total turnover</td><td>0.18%</td><td>0.13%</td></tr> </table>		2006-2007	2005-2006	(a) Capital	Rs. 1,82,603	Rs. —	(b) Recurring	Rs. 10,51,742	Rs. 7,57,003	(c) Total	Rs. 12,34,345	Rs. 7,57,003	(d) Total R & D Expenditure as a percentage of total turnover	0.18%	0.13%
	2006-2007	2005-2006															
(a) Capital	Rs. 1,82,603	Rs. —															
(b) Recurring	Rs. 10,51,742	Rs. 7,57,003															
(c) Total	Rs. 12,34,345	Rs. 7,57,003															
(d) Total R & D Expenditure as a percentage of total turnover	0.18%	0.13%															

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- (1) Efforts, in brief, made towards technology absorption, adaptation and innovation.
- (a) Installed cyclic timers for OHTC of simplex machines.
 - (b) Installed cyclic timers for waste collection system of H-plants.
 - (c) Reduced no. of fan blades of post-spinning plant.
 - (d) Installed contamination system in blow room.
 - (e) Installed gravitational trash removal equipment in blow room lines.
- (2) Benefits derived as a result of the above efforts.
- (a) Reduction in power consumption by 166 units per day.
 - (b) Reduced power consumptions by 235 units per day.
 - (c) Saved power consumption by 288 units per day.
 - (d) By installing contamination system in blow room, contamination level in yarn is reduced by 20%.
 - (e) As trash is reduced at blow room stage, load on carding is reduced and life and efficiency of carding flats increased.
- (3) There is no imported technology involved.

FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company continues its efforts to enhance exports with vigorous steps to find new markets and develop existing ones.

	2006-2007	2005-2006
1. Foreign Exchange Earnings	Rs. 53,69,65,224	Rs. 44,84,29,334
2. Foreign Exchange Outgo	Rs. 6,78,36,424	Rs. 1,28,97,643

For and on behalf of the Board

Kolkata
10th day of May, 2007

U. KANORIA
Chairman