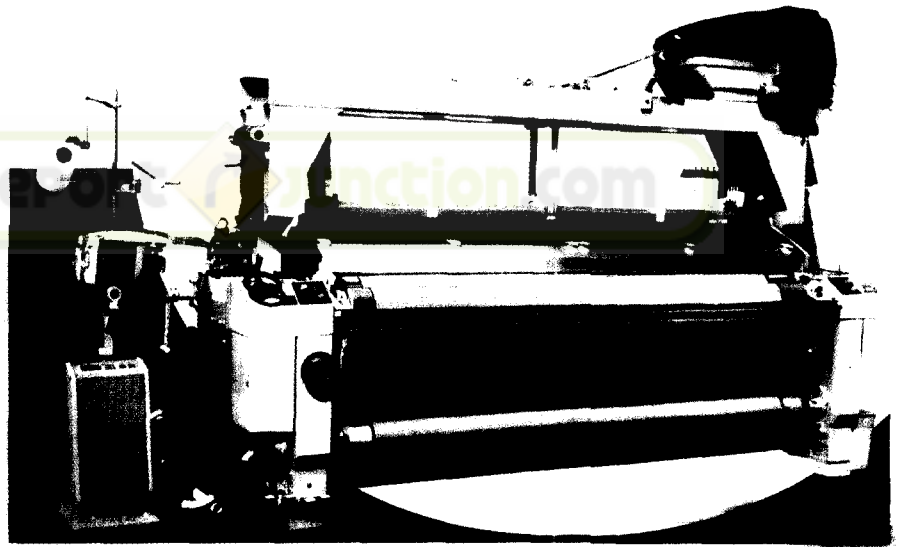


16th *ANNUAL REPORT* 2005-2006



MOHIT
INDUSTRIES LTD.



ANNUAL REPORT 2005-2006

BOARD OF DIRECTORS : **Shri Sitaram N. Saboo** *Chairman & Managing Director*
Shri Narayan N. Saboo *Jt. Managing Director*
Shri Naresh S. Saboo
Shri Jayesh R. Gandhi
Shri Ashok Kumar Sharda
Shri Sachin Kumar Jain

AUDITORS : **Rameshkumar Malpani & Co.**
Chartered Accountants
 401, Trividh Chambers,
 Ring Road, Surat.

BANKERS : State Bank of Travancore
 Bank of Baroda

REGISTERED OFFICE : 227, Super Yarn Market,
 Zampa Bazar, Surat - 395 003.
 (Gujarat)

PLANTS :

1. Village : Kudsad
 Tal : Olpad
 Dist. : Surat (Gujarat)
2. Village : Masat (Silvassa)
 Union Territory of Dadra & Nagar Haveli

CONTENTS	PAGE
Notice	2
Directors' Report	4
Corporate Governance Report	7
Auditors' Report	13
Balance Sheet	16
Profit & Loss A/C	17
Schedules	18
Balance Sheet Abstract	27
Cash Flow Statement	28

ANNUAL REPORT 2005-2006

NOTICE

NOTICE is hereby given that **SIXTEENTH ANNUAL GENERAL MEETING** of the members of **MOHIT INDUSTRIES LIMITED** will be held on Friday, 29th September 2006 at 04:00 P.M. at 301-302, Super Yarn Market, Zampa Bazar, Surat - 395 003, Gujarat to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2006 and the Profit and Loss Account of the Company for the year ended on that date and the Reports of the Director's and Auditor's thereon.
2. To Confirm Interim Dividend of 12 % as the total dividend for the year as there is no final dividend recommended by the Board.
3. To appoint Mr. Jayesh Gandhi as a Director, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Mr. Sitaram Saboo as a Director, 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(s), the following resolution as a **Ordinary Resolution**:

"RESOLVED THAT Mr. Sachin kumar Jain be and is hereby appointed as director liable to retire by rotation."

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to provisions of the Companies Act, 1956 read with Articles of Association and listing requirements of the Bombay Stock Exchange Ltd., consent is hereby accorded to the Act of Board of Directors for forfeiture of 92100 shares for non payment of Allotment money and re-issue of 92100 shares at a price of 20/- per share."

8. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

"RESOLVED THAT Pursuant to Provisions of Section 17,18 and other applicable

provisions of the Companies Act, 1956, new object clause 4 will be added after existing clause III(A)3 of the Memorandum of Association. New clause will read as below :

4. To construct, purchase, take on lease, erect or otherwise acquire, establish and equip, act as collaborators, technicians, financiers, managers, administrator, consultants and to carry on the business of running all types of hotels, motels, holiday camps, guest houses, restaurants, canteen, caterers, cafes, taverns, subject to law pubs, bars, beer houses, refreshment rooms and lodging or apartments, house-keepers, night clubs, discotheques, swimming pools, health clubs, baths, dressing rooms, licensed wine, beer and spirit merchants, exporters, importers of aerated, mineral and artificial water and other drinks, purveyors, caterers for public amusement generally to equip and furnish any property for the purpose of letting or hiring the same to visitors or guests whether in single or double rooms, suites, chalets, cottages or otherwise.

For and On Behalf of
the Board of Directors

Place : Surat
Dated : 04/08/2006

SITARAM SABOO
CHAIRMAN

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL, TO VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. Any instrument appointing a proxy or proxies should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of Special business under item 6, 7 and 8 is appended hereto.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, the 25th September, 2006 to Saturday, 30th September, 2006 (both days inclusive).

5. Members/Proxy holders are requested to bring their copies of the Annual Report to the meeting as no further copies would be made available.
6. The shareholders are requested to (a) intimate, if shares are held in the same name or in the same order and names, but more than one folio to enable the Company to consolidate the said folios into one folio and (b) notify immediately, any change in their recorded address along with pin code number, to the Registrar & Share Transfer Agent, Adroit Corporate Services Pvt. Ltd. 19, Jaferbhoy Industrial Estate, Makwana Road, Marol Naka, Andheri (East), Mumbai - 400 059
7. The Shareholders seeking information on accounts published herein are requested to kindly furnish their queries to the Company at least ten days before the date of the meeting to facilitate satisfactory replies.

**ANNEXURE TO THE NOTICE
EXPLANATORY STATEMENT PURSUANT TO
SECTION 173(2) OF THE COMPANIES ACT,
1956.**

Item No. 6

Mr. Sachin Kumar Jain is a reknown Industrialist of the city and agreed to join the Board of Directors of the Company. His business exposure and knowledge will help the company to grow further, faster and smoother. The Company has received the requisite notices from the members signifying their intention to propose the appointment of Mr. Sachin kumar Jain as Director of the Company along with a deposit of Rs. 500/- as per the requirement of the Section 257 of the Companies Act, 1956. Mr. Sachin kumar Jain has accorded his consent to act as Director of the Company if appointed by Members.

The Board of Directors propose to appoint Mr. Sachin Kumar Jain on the Board as a regular Director and hence the resolution is being put before the members for their approval.

None of the Director is, in any way, concerned or interested in the said Resolution.

Item No. 7

Board of Directors of the Company had forfeited and re-issued 92100 shares during March 2005. As per provisions of the Listing Agreement Bombay Stock Exchange has advised the Company to get this act ratified by the Share holders at the next General Meeting.

Necessary papers related to forfeiture and re-issue are available for verification at the registered office of the company during business hours.

Mr. Sitaram Saboo, Mr. Narayan Saboo and Mr. Naresh Saboo being relative of Smt. Madhu N. Saboo, to whom shares were re-issued are interested in the resolution.

ITEM NO.8.

Board of Directors of the Company has various plans to diversify from core textile business. Hotel industry is one of such area which management is considering. To take any further concrete action in this regard, it is necessary to have such object in the object clause of the memorandum of association. Necessary resolution is placed in the notice for your kind approval.

No director is directly or indirectly interested in the resolution.

Board recommends the resolution for approval.

For and On Behalf of
the Board of Directors

Place : Surat
Dated : 04/08/2006

SITARAM SABOO
CHAIRMAN

BRIEF RESUME OF PERSONS PROPOSED TO BE APPOINTED/RE-APPOINTED AS DIRECTORS OF THE COMPANY AT THE ANNUAL GENERAL MEETING PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT:

Name	Sachin Kumar Jain
Age	32 Years
Qualification	BMS
Nature of Expertise	Textile
Experience	10 Years
Name of Companies in which holds Directorship	NIL
Name of the companies in committees Or which also holds Membership/Chairmanship	NIL

ANNUAL REPORT 2005-2006

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Annual Report together with the Audited Statements of Account of the Company for the year ended 31st March, 2006 and the Auditors' report thereon.

Financial Results:

Particulars	31.03.2006	(Rs. in Lakhs)
		31.03.2005
Sales & other income	7595.06	3983.22
Profits before depreciation, interest and Tax	317.39	228.07
Less: Depreciation	84.33	77.66
Interest	65.24	45.74
Profit before Tax	167.82	104.67
Less: Provision for tax	51.74	39.63
Profit after tax	116.08	65.04

Current Year Operation:

Management is pleased to note that as promised last year, your company has performed much better during the year under review and with 100% completion of the expansion plans current year performance will be even better. As you can see sales has improved almost 100 % and profit before and after tax are showing growth 60% and 78% growth respectively, Your company has already declared 12% Interim dividend for this year and considering expansion near to completion decided to plough back remaining profit in to the business and not recommended any final dividend. So total dividend for the year shall be 12%

Dividend:

The directors have not recommend any final dividend. So Interim Dividend of 12% paid for year 2005 -2006 shall be considered as total dividend for the year ended 31st March, 2006.

Directors:

In accordance with the provisions of the Companies Act, 1956 and pursuant to the provisions of Articles of Association of the Company, Mr. Sitaram Saboo and Mr. Jayesh Gandhi are directors liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offers themselves for re-appointment. The Board recommends their appointment.

Audit Committee:

The Audit Committee of the Board presently comprises of Mr. Ashok Sharda , Mr. Sitaram Saboo, and Mr. Sachin Kumar Jain. The Committee met three times during the year.

Director's Responsibility Statement:

Pursuant to the provisions of Section, 217(2AA) of the Companies Act, 1956 your Directors confirm:

- that applicable accounting standards have been followed in the preparation of final accounts and that there are no material departures;
- that the accounting policies have been selected and applied consistently and such judgments and estimates made 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, 2006 and of the profit of the company for the year ended on that date.



- (c) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- (d) that the annual accounts have been prepared on a going concern basis.

Particulars under Section 217(2A) of the Companies Act, 1956:

There were no employees who were in receipt of remuneration exceeding the ceiling limit prescribed under the Companies (Particulars of Employees) Rules, 1975 calling for furnishing their particulars.

Conservation of Energy, Technology, Absorption and Foreign Exchange Earning and outgo:

A. Conservation of Energy, Technology and Absorption

Information in accordance with the provisions of Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, regarding conservation of energy and technology absorption is given in the Annexure forming part of the this report.

B. Foreign Exchange earnings and outgo:

The details of foreign exchange earning /outgo is given in annexure forming part of this report.

Auditors' Report

Observations made in the Auditors' Report read with relevant notes in Notes to Accounts, are self-explanatory and therefore, do not call for any further comments under Section 217(3) of the Companies Act, 1956.

Auditors:

M/s. Ramesh Kumar Malpani & Co. Chartered Accountants retire at the conclusion of the ensuing Annual General Meeting. They being eligible for reappointment, the Board recommends their reappointment.

Corporate Governance:

A report on the Corporate Governance Code along with a certificate from the Company Secretary regarding compliance of the conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement is annexed to this Report.

Fixed Deposits:

The Company has not accepted any Fixed deposits under section 58-A of the Companies Act, 1956.

Acknowledgement:

The Directors would like to thank all the shareholders of the company for the consistent support received from them during the year.

The Directors would also like to place on record their appreciation for the dedicated efforts and services put in by the employees and also to the Banks for their support to the Company.

For and on behalf of the Board of Directors

DATE : 04/08/2006
PLACE : Surat

Sitaram N. Saboo
Chairman

ANNUAL REPORT 2005-2006

Annexure

	<u>2005-06</u>	<u>2004-05</u>
(1) CONSERVATION OF ENERGY		
(A) Power and Fuel Consumption:		
1. Electricity		
(a) Purchased		
Units	50.81 Lacs	39.05 Lacs
Total Amount	203.25 Lacs	142.17 Lacs
Rate/Unit (Rs.)	3.58	3.64
(b) Own Generation		
i) Through Diesel Generator		
Units	0.67 Lac	0.58 Lacs
Units per Ltr. of Diesel Oil	3.50	3.00
Rate/Unit (Rs.)	9.29	8.66
ii) Through Steam/Turbine Generator	Nil	Nil
2. Gas	Nil	Nil
3. Oil (LDO)/Diesel	Nil	Nil
4. Furnace Oil	Nil	Nil
5. Other internal generation	Nil	Nil

(B) Consumption per unit of Production:

Product	Grey Cloth (mtrs)		
	Electricity	0.40	0.40
Product	Yarn (kg.)		
	Electricity	0.54	0.81

(2) TECHNOLOGY AGSORPTION, ADAPTATION AND INNOVATION:

The project of your company has no foreign collaboration, hence no particulars are offered for the same as the Rule 2 of the said Rules does not apply.

(3) FOREIGN EXCHANGE EARNINGS/OUTGO

Particulars	<u>2005-06</u>	(Rs. In Lacs) <u>2004-05</u>
Foreign Exchange Earned :	NIL	NIL
Foreign Exchange Used :		
Purchase of Capital Goods	136	NIL
Trading Goods	56	NIL
Foreign Travels	1	NIL

CORPORATE GOVERNANCE REPORT**(A) Company's Philosophy on Code of Corporate Governance**

Mohit Industries Limited has consistently adopted code of good Corporate Governance. The Company always secures rights of its shareholders and shares not only profit but information too on the performance of the Company and act as a trustee of its shareholders. The Company always discloses detailed information on various issues concerning the Company's business and financial performance to its shareholders. The company has achieved philosophy of Corporate Governance by business excellence by transparency, increasing long-term shareholder value and interest of all its stakeholders.

(B) Board of Directors**(i) Board Composition**

The Board of Directors of the Company comprises an optimum combination of Executive and Non Executive Directors headed by a Executive Chairman. The Independent Directors do not have any pecuniary relationships or transactions either with the promoters/ management that may affect their judgement in any manner. The Directors are experienced in business and corporate management. The Board meets at least once in a quarter to review, amongst other business, the quarterly performance and financial results of the Company. Directors attending the meeting actively participate in the deliberations at these meetings.

The constitution of the Board is as given below:

Sr. No.	Name of Director	Category	No. of other Directorships #	Committee Memberships #	
				Member	Chairman
1	Mr. Sitaram N. Saboo	Chairman Executive	0	3	0
2	Mr. Narayan S. Saboo	Executive Director	2	0	0
3	Mr. Naresh S. Saboo	Non-Executive	0	0	0
4	Mr. Jayesh R. Gandhi	Non-Executive Independent	0	0	0
5	Mr. Ashok Sharda	Non-Executive Independent	0	3	1
6	Mr. Sachin Kumar Jain	Non-Executive Independent	0	3	2

Excludes Directorships of Private Limited Companies, Foreign Companies and Alternate Directorships.

Committee of Directors include Audit Committee, Shareholders / Investors Grievance Committee and Remuneration Committee of Directors only and excludes Memberships in Private Limited Companies, Foreign Companies and Companies of Section 25 of the Companies Act, 1956.

Note: The expression Independent Director means director who apart from receiving director's remuneration, does not have any material pecuniary relationship or transactions with the Company, its promoters, its management or its subsidiaries, which in the judgement of the Board, may affect independence of judgement of the director.

(ii) Board Meetings and Attendance of Directors

During the financial year ended 31st March, 2006, Board of Directors met 16 times on (1) 15/04/05, (2) 21/04/05, (3) 26/05 /05, (4) 01/06/05, (5) 27/06/05, (6) 21/07/05, (7) 08/08/05, (8) 26/08/05, (9) 25/10/05, (10) 28/10/05, (11) 21/11/05, (12) 21/12/05,

ANNUAL REPORT 2005-2006

(13) 12/01/06, (14) 31/01/06, (15) 01/03/06 and (16) 30/03/006. The maximum time gap between any two meetings was not more than four calendar months.

Attendance of Directors at the Board Meetings held during the financial year 2005-2006 and the last Annual General Meeting:

Sr. No.	Name of the Directors	Attendance at Board Meetings	Attendance at last Annual General Meeting
		No. of Meetings held during the year 2005-2006	No. of the Meetings Attended
1	Mr. Sitaram N. Saboo	16	15
2	Mr. Naraya S. Saboo	16	16
3	Mr. Naresh S. Saboo	16	16
4	Mr. Jayesh R. Gandhi	16	8
5	Mr. Ashok Sharda	16	10
6	Mr. Sachin Jain	16	9

(iii) Directors seeking appointment/re-appointment:

Mr. Jayesh Gandhi and Mr. Sitaram Saboo retires by rotation and, being eligible offers themselves for re-appointment.

(C) Committees of the Board

(i) Audit Committee

The Audit Committee consists of three Directors Mr. Ashok Sharda, Mr. Sitaram Saboo and Mr. Sachin Jain. Mr. Ashok Sharda acts as a Chairman of the Audit Committee Meetings.

Three Audit Committee Meetings were held during the financial year 2005-2006 on 26/08/2005, 01/11/2005 and 30/03/2006. The Compositions of the Audit Committee and the attendance of each director at these meetings were as follows

Sr. No.	Members of Audit Committee	No. of Meetings Attended
1	Mr. Sitaram Saboo	3
2	Mr. Sachin Jain	3
3	Mr. Ashok Sharda	3

The terms of reference of the Audit Committee are in line with Clause 49 II (C) & (D) of the Stock Exchange Listing Agreement and Section 292A of the Companies Act, 1956. The Committee acts as a link between the Management, Auditors and the Board of Directors of the Company has full access to financial information. The Audit Committee is responsible for overseeing the Company's financial reporting process, reviewing with the management the financial statements and adequacy of internal control systems.

The Committee discussed with the external auditors their audit methodology, audit planning and significant observations/suggestions made by them. The Audit Committee also discussed major issues related to risk management and compliances.

(ii) Remuneration Committee

The Remuneration Committee has been constituted to recommend/review the remuneration package of the Executive Directors, based on performance and defined criteria.

The broad terms of reference of the Remuneration Committee is to ensure that the remuneration practices of the Company in respect of the Executive Directors are competitive keeping in view prevalent compensation packages so as to recruit and retain suitable individual(s) in such capacity.