



# Nagreeka

EXPORTS LIMITED



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EIGHTEENTH  
ANNUAL  
REPORT  
2006-2007

BOARD OF DIRECTORS	: Shri Ishwar Lal Patwari — Chairman
	Shri Sushil Patwari — Vice Chairman & Managing Director
	Shri Sunil Patwari — Managing Director
	Shri Dwarka Prasad Agarwal — Director
	Shri Kashmiri Lal Agarwal — Director
	Shri Kailash Chandra Purohit — Whole-time Director
	Shri Mohan Kishen Ogra — Director
	Shri Bibhuti Charan Talukdar — Director
	Shri Mahendra Patwari — Whole-time Director
COMPANY SECRETARY	: Shri J. Tiwari
BANKERS	: Canara bank, Overseas Branch, Kolkata
	ING VVSYA Bank Limited, Overseas Branch, Mumbai
	Oriental Bank of Commere, Overseas Branch, Kolkata
	State Bank of Patiala, Commercial Branch, Mumbai
AUDITORS	: M/s. Das & Prasad
	Chartered Accountants
	9, Jagmohan Mullick Lane,
	Kolkata - 700 007
TRANSFER AGENT	: M/s. Maheshwari Datamatics Pvt. Ltd.
	6, Mangoe Lane, 2nd Floor,
	Kolkata - 700 001
REGISTERED OFFICE	: 18, R. N. Mukherjee Road,
	Kolkata - 700 001
CORPORATE OFFICE	: 21-22, Kala Bhavan, 3, Mathew Road
	Mumbai - 400 004.
WORKS	: Village Yavluj, Taluka Panhala,
	Dist. Kolhapur (Maharashtra)

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## NOTICE

Notice is hereby given that the 18th Annual General Meeting of the Members of Nagreeka Exports Limited, will be held at Bengal National Chamber of Commerce, 23, R.N. Mukherjee Road, Kolkata-700 001, on Friday, the 21st September, 2007 at 10.30 a.m. to transact the following business :

### ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2007, the Profit and 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 M.K.Ogra who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sri Mahendra Patwari who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Sri K.C. Purohit who retires by rotation and being eligible, offers himself for re-appointment.
5. To declare dividend on equity shares.
6. To appoint Auditors of the Company for the period commencing from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

### SPECIAL BUSINESS

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

"Resolved that pursuant to sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 including Schedule XIII to the said Act, the Company hereby approves the reappointment and the terms of remuneration of Mr. Sushil Patwari as Managing Director of the Company for a period of 5 years with effect from 1st October, 2006 upon the terms and conditions set out in the Relevant Explanatory Statement and also in the Draft Agreement submitted to this meeting, which agreement is hereby specifically sanctioned with liberty to the Board of Directors (here in after referred to as Board which term shall be deemed to include the Remuneration Committee constituted by the Board) to alter and vary the terms and conditions of the said reappointment and / or Draft Agreement, subject to the same not exceeding the limits specified in Schedule XIII to the Companies Act, 1956, in such form and manner or with such modifications as the Board may deem fit and agreed to by Mr. Sushil Patwari".

"Resolved further that where in any financial year, the Company has no profits or its profits are inadequate, during the term of office of Mr. Sushil Patwari, the remuneration as mentioned in the Relevant Explanatory Statement and the Draft Agreement shall be the minimum remuneration."

"Resolved further that the Board be and is hereby authorised to do all acts, deeds and things and execute all such documents, instruments and writings as may be required to give effect to the aforesaid resolutions."

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

"Resolved that pursuant to sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 including Schedule XIII to the said Act, The Company hereby approves the reappointment and the terms of remuneration of Mr. K.C. Purohit as Whole Time Director of the Company for a period of 5 years with effect from 1st

October, 2006 upon the terms and conditions set out in the Relevant Explanatory Statement and also in the Draft Agreement submitted to this meeting, which agreement is hereby specifically sanctioned with liberty to the Board of Directors (here in after referred to as Board which term shall be deemed to include the Remuneration Committee constituted by the Board) to alter and vary the terms and conditions of the said reappointment and / or Draft Agreement, subject to the same not exceeding the limits specified in Schedule XIII to the Companies Act, 1956, in such form and manner or with such modifications as the Board may deem fit and agreed to by Mr. K.C. Purohit".

"Resolved further that where in any financial year, the Company has no profits or its profits are inadequate, during the term of office of Mr. K.C. Purohit, the remuneration as mentioned in the Relevant Explanatory Statement and the Draft Agreement shall be the minimum remuneration."

"Resolved further that the Board be and is hereby authorised to do all acts, deeds and things and execute all such documents, instruments and writings as may be required to give effect to the aforesaid resolutions."

9. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :

"Resolved that in supercession of the earlier resolution passed at the seventh Annual General Meeting held on 23rd September, 1996 and pursuant to the Provisions of Sections 293(1)(d) and all other applicable Provisions, if any, of the Companies Act, 1956, the company hereby accords its consent to the Board of Directors for borrowing any sum or sums of money from time to time from anyone or more of the Company's Bankers and / or from anyone or more persons, firms, Bodies Corporate, or Financial Institutions by way of Cash, Credit, Advance or Deposits, Loans or Bills discounting or otherwise and whether unsecured or secured by mortgage, charge hypothecation or lien or pledge of the Company's Assets and Properties whether movable or stock-in-trade and work-in-progress or all or any of the undertakings of the Company, notwithstanding the moneys to be borrowed together with moneys already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of Business) will or may exceed the aggregate of the Paid-up Capital of the Company and its free reserves that is to say reserves not set apart for any specific purpose but so however, that the total amount upto which the moneys may be borrowed by the Board of Directors and outstanding at any time shall not exceed an amount of Rs. 500 crores (Rupees Five Hundred Crores only) exclusive of interest and the Board of Directors be and is hereby further authorised to execute such deeds of the debentures and debenture trust deed or mortgage, charge hypothecation, lien, promissory notes, deposits, receipts and other deeds and instruments or writings as they may consider proper and containing such conditions and covenants as the Board of Directors may think fit."

By order of the Board  
For NAGREEKA EXPORTS LTD.  
J. TIWARI  
(Company Secretary)

Place : Kolkata  
Date : 16th June, 2007

## NOTICE (Contd.)

### NOTE :

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.
2. The Instrument appointing Proxy should be deposited at the Registered Office of the Company not less than forty-eight hours before the time for holding the meeting.
3. Members are requested to notify immediately any change in their addresses, if any, to the Registrar and Share Transfer Agent M/s. Maheshwari Datamatics (P) Ltd., 6, Mango Lane, Kolkata – 700 001.
4. Members are requested to bring their copies of Annual Report at the Meeting and produce attendance slip at the entrance.
5. The Registrar of Members and Share Transfer Books will remain closed from 14.09.2007 to 21.09.2007 (both days inclusive).
6. Dividend, if approved at the Annual General Meeting, will be paid to those members whose names will appear in the register of members on 21.09.2007 (including the list of members supplied by NSDL / CDSL for members holding shares in Demat Form as on 21.09.2007).
7. Members intending to require information, about accounts, to be explained at the meeting are requested to write to the Company at least ten days in advance of the Annual General Meeting (AGM).
8. Pursuant to Section 205A of the Companies Act, 1956 all unclaimed dividends upto the financial year ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government. Members, who have not encashed the Dividend warrants for the said period(s) are requested to claim the same from Registrar of Companies, West Bengal.
9. Details of the Directors retiring by rotation and being proposed for re-appointment are as under :-

Name of Director	Mr. M. K. Ogra	Mr. Mahendra Patwari	Mr. K. C. Purohit	Mr. Sushil Patwari
Date of Birth	15.09.1930	15.03.1963	18.06.1932	20.08.1954
Date of Appointment	30.06.2001	30.06.2004	30.06.2001	06.03.1989
Expertise in specific Functional area	Industrialist having rich business experience	Industrialist having rich business experience	Industrialist having rich business experience	Industrialist having rich business experience
List of other Directorships held excluding foreign companies, Companies under section 25 of the Companies Act, 1956 and Private Companies.	Nicco Financial Services Ltd. Nicco Engineering Services Ltd. Nicco Biotech Ltd. BDA-Nicco Parks & Resorts Ltd. Nagreeka Capital & Infrastructure Ltd.	Nagreeka Foils Ltd.	Nil	Rupa & Co. Ltd. Reliance Processors Ltd. Nagreeka Capital & Infrastructure Ltd.
Chairman / Member of the Committees of the Board of other Companies in which he/she is a Director	Nagreeka Capital & Infrastructure Ltd.	None	None	Nagreeka Capital & Infrastructure Ltd. Rupa & Co. Ltd.

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

### ITEM NUMBER 7 :

It is proposed to reappoint Mr. Sushil Patwari as Managing Director of the Company for a period of five years with effect from 1st October, 2006. The Remuneration Committee of the Board of Directors at its Committee Meeting held on 31st October, 2006 unanimously recommended for his reappointment. The brief terms and conditions of his reappointment are as under :-

#### (a) Salary :

Rs. 1,00,000/- per month with effect from 01.10.2006.

with such increments as may be decided by the Board of Directors / Remuneration Committee of the Board of Directors, from time to time, subject to maximum salary of Rs. 2,00,000/- per month.

#### (b) Perquisites :

##### i) Housing

- 1) Residential accommodation or house rent allowance at the rate of 60% of salary.

- 2) Expenses pertaining to electricity will be borne / reimbursed by the Company.

- 3) Company shall provide such furniture, fixtures and furnishings as approved by the Board of Directors (which includes Remuneration Committee of the Board of Directors) from time to time.

##### ii) Medical Expenses

Reimbursement of actual medical expenses incurred in India and/or abroad and including hospitalization, nursing home and surgical charges for himself and family.

##### iii) Leave/Holiday Travel Expenses

Reimbursement of Leave/Holiday Travel expenses (like travel fare, lodging, boarding, conveyance and other expenses) incurred on one or more occasions in a year whether in India or abroad in respect of himself and family subject to the condition that total reimbursement shall not exceed one-month's basic salary per annum. The entitlement for any one year to the extent not availed shall be allowed to be accumulated upto next two years.

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

### iv) Club Fees

Reimbursement of membership fee upto maximum of two clubs in India including admission and life membership fee.

### v) Personal Accident Insurance

Personal Accident insurance Policy of such amount as may be decided by the Managing Director / Board, the premium of which shall not exceed Rs.10,000/- per annum.

### vi) Contribution to Provident Fund, Superannuation Fund and Annuity Fund

Company's contribution to Provident Fund, Superannuation and Annuity Fund not exceeding 30% of salary in aggregate.

### vii) Gratuity

As per Gratuity Act, 1972.

### viii) Leave

Leave with full pay or encashment thereof as per the Rules of the Company.

### ix) Car with Driver

The Company will provide Car with Driver for Company's business.

### x) Telephone

Free telephone and fax facilities at residence.

### xi) Reimbursement of Entertainment / Traveling Expenses

Reimbursement of all entertainment, traveling, hotel and other expenses incurred by Mr. Sushil Patwari during the course of his employment in connection with the business of the Company.

### xii) Sitting Fee

No sitting fee shall be paid to Sushil Patwari for attending the meetings of the Board of Directors of the Company or any Committee thereof.

### xiii) Minimum Remuneration

In the event of inadequacy or absence of profits in any financial year during his tenure, Mr. Sushil Patwari will be entitled to the above remuneration alongwith perquisites / benefits mentioned above as and by way of minimum remuneration.

#### Explanation

Provision of Car for use of the Company's business and telephone at residence will not be considered in computing value of perquisites. Personal long distance calls of telephone shall be billed to Mr. Sushil Patwari."

The above may be treated as extract of the terms of reappointment of Mr. Sushil Patwari as Managing Director as per Section 302 of the Companies Act, 1956.

The Draft Service Agreement between the Company and Mr. Sushil Patwari is available for inspection by the Members of the Company at its Registered Office between 11.00 A.M. and 1.00 P.M. on any working day of the Company.

The Board of Directors recommends the resolution for approval of the Members.

Save and except Mr. Sushil Patwari, Mr. I. L. Patwari, Mr. Sunil Patwari and Mr. Mahendra Patwari, no Director of the Company is concerned or interested in the resolution being item number. 6 of the Notice.

#### ITEM NUMBER 8 :

It is proposed to reappoint Mr. K. C. Purohit as Wholtime Director of the Company for a period of five years with effect from 1st October, 2006. The Remuneration Committee of the Board of Directors at its Committee Meeting held on 31st October, 2006 unanimously recommended for his reappointment. The brief terms and conditions of his reappointment are

as under :-

#### (a) Salary :

Rs. 60,000/- per month

With such increments as may be decided by the Board of Directors / Remuneration Committee of the Board of Directors, from time to time, subject to maximum salary of Rs.1,00,000/- per month.

#### (b) Perquisites :

##### i) Contribution to Provident Fund, Superannuation Fund and Annuity Fund

Company's contribution to Provident Fund, Superannuation and Annuity Fund not exceeding 30% of salary in aggregate.

##### ii) Gratuity

As per Gratuity Act, 1972.

##### iii) Leave

Leave with full pay or encashment thereof as per the Rules of the Company.

##### iv) Car with Driver

The Company will provide Car with Driver for Company's business.

##### v) Telephone

Free telephone and fax facilities at residence.

##### vi) Reimbursement of Entertainment / Traveling Expenses

##### vii) Minimum Remuneration

In the event of inadequacy or absence of profits in any financial year during his tenure, Mr. K.C. Purohit will be entitled to the above remuneration alongwith perquisites / benefits mentioned above as and by way of minimum remuneration.

#### Explanation

Provision of Car for use of the Company's business and telephone at residence will not be considered in computing value of perquisites. Personal long distance calls of telephone shall be billed to Mr. K.C. Purohit"

The above may be treated as extract of the terms of revision of remuneration package of Mr. K.C. Purohit as Whole Time Director as per Section 302 of the Companies Act, 1956.

The Draft Service Agreement between the Company and Mr. K.C. Purohit is available for inspection by the Members of the Company at its Registered Office between 11.00 A.M. and 1.00 P.M. on any working day of the Company.

The Board of Directors recommends the resolution for approval of the Members.

Save and except Mr. K.C. Purohit, no Director of the Company is concerned or interested in the resolution being item number 7 of the Notice.

#### ITEM NUMBER 9 :

Considering the expansion programme of the company at hand, it is proposed to authorise the Board of Directors to borrow money provided, however, that the total borrowing at any point of time will not exceed Rs.500 crores. The resolution being item number 8 in the notice is intended for the purpose.

The Board of Directors recommends the resolution for approval of the Members.

No Director of the Company is concerned or interested in the resolution being item number 8 of the Notice.

By order of the Board  
For NAGREEKA EXPORTS LTD.  
J. TIWARI  
(Company Secretary)

Place : Kolkata

Date : 16th June, 2007



## DIRECTORS' REPORT

### TO THE MEMBERS

Your Directors have pleasure in presenting the 18th Annual Report on the affairs of your Company together with the Audited Statements of Account for the year ended 31st March, 2007.

### FINANCIAL RESULT

	2006-2007 (Rs. In lacs)	2005-2006 (Rs. In lacs)
Sales & Export Revenue	26323.41	17555.15
Other Income	90.44	3035.90
	<b>26413.85</b>	<b>20591.05</b>
PBIDT	2180.92	4205.69
Interest	512.13	219.76
Depreciation	533.67	314.09
PROFIT BEFORE TAXATION	1135.12	3671.84
Provision for taxation	(-) 135.60	(-) 57.87
Deferred Taxation Assets (Liability)	(-) 323.88	(-) 209.81
(Short) / Excess Provision for		
Income Tax written back	(-) 11.10	49.80
PROFIT AFTER TAXATION	664.54	3453.96
Profit Brought Forward from		
Previous Year	338.19	373.59
PROFIT AVAILABLE FOR		
APPROPRIATIONS	1002.73	3827.55
APPROPRIATIONS		
Transfer to General Reserve	550.00	3350.00
Proposed Dividend	80.26	121.40
Income Tax on Dividend	13.64	17.03
Excess/(Short) provision of Dividend		
& Tax thereon	(-) 0.15	0.93
Balance carried to Balance Sheet	358.98	338.19
	<b>1002.73</b>	<b>3827.55</b>

### DIVIDEND

Your Directors have pleasure in recommending payment of Dividend of 15% i.e. Re. 0.75 per equity share of Rs. 5/- each, for the year ended 31st March, 2007. Total outgo on account of dividend for the financial year 2006-07 will be Rs. 93.90 lacs including dividend distribution tax. (previous year Rs. 138.43 lacs @ 12.5% i.e. Rs. 1.25 per equity share of Rs. 10/- each).

### REVIEW OF OPERATION

The Company's turnover from operations for the year ended 31st March, 2007 is Rs. 26323.41 lacs (previous year Rs. 17555.15 lacs) showing an increase of 49.95%.

Profit after tax, from operations, for the year under review is Rs.664.54 lacs as against Rs. 495.26 lacs during the previous year (the total profit after tax during previous year was Rs. 3453.96 Lacs, inclusive of Rs. 2958.70 lacs income from investment division), thus recording an increase of 34.18%, inspite of higher income tax and deferred tax liabilities compared to the previous year.

The implementation of the expansion and modernisation scheme has led to higher volumes and cost reduction. The volume of merchant exports of cotton yarn and raw cotton has also grown during the year.

### FUTURE PROSPECTS

During the year, the expansion cum modernisation scheme under the TUFs has been implemented. The production capacity stands increased from 26208 spindles to 55440 spindles. The same would give better economies of scale, greater flexibility in product mix which would enable the company to deal better with the developing market conditions and ensure sustained profitability in the face of ever increasing competition.

Benefits of expansion and modernisation programme are partially visible in F.Y. 2006-07 and the full effect of the same is expected to be seen in Company's performance in F.Y.2007-08.

Raw cotton is the single largest cost for the Company. The price and the quality of cotton have a huge bearing on the performance of the operations. As such, the company proposed to focus on this area through new initiatives such as contract farming, and exclusive arrangements with few selected ginning factories. It is expected that this will result in quantum improvement in the quality of the cotton procured and will also result in cost saving.

The vision statement of the Textile Industry envisages the growth in the total market size for textiles and garments from 52 billion USD in 2006 to 110 billion USD by March 2012, the terminal year of the Eleventh Five Year Plan. To achieve this target, the Vision Statement has, among other things, estimated that 29 million additional spindles would required – 20 million for capacity expansions and 9 million for modernisation. Therefore, the future scope for capacity expansion and modernisation is promising.

The Company has finalised a project for further growth with an estimated capital outlay of Rs.230 crore. The Company proposes to set up a new spinning unit (62,400 spindles) with a Yarn dyeing (3000 MT/year) and garment making unit (1.5 million pcs/year) spread over 33 acres of land at Five Star Industrial area at MIDC Kagal in district Kolhapur, Maharashtra.

The Company is predominantly export oriented and major portion of Company's turnover is from exports and as such the profitability to some extents depends on movement in exchange rate of various currencies. The sudden and sharp movement in exchange rate during March/April 2007 was unprecedented and despite the Company's hedging policy being in place, there is likely to be some impact on the sales realisations and profitability. The company is taking all possible steps to mitigate the adverse impact.

### ALLOTMENT OF EQUITY SHARES TO PROMOTERS

9,78,000 equity shares were allotted to promoters of the company, on preferential basis, during the year on exercise of option for conversion of 9,78,000 equity linked shares warrants of Rs.10/- each at a premium of Rs.52.25 per equity share.

### RESTRUCTURING OF COMPANY'S OPERATIONS

The scheme of arrangement between the Company and Nagreeka Capital & Infrastructure Ltd. (NCIL) (formerly Nagreeka Software Technologies

## DIRECTORS' REPORT (Contd.)

Ltd.) was sanctioned by the Honourable High Court at Kolkata. The investment division/activity of the company was transferred to NCIL. In turn NCIL has allotted 1,15,27,700 Equity shares of Rs. 5/- each, fully paid up, to the shareholders of the company in the ratio of 1:1 i.e. one equity share of NCIL for every share of Nagreeka Exports Ltd., held by the shareholders of the company on the record date.

Further, the face value of the equity shares of the company was reduced from Rs. 10/- to Rs. 5/- per equity share.

(NCIL) Nagreeka Capital and Infrastructure Ltd., is no longer a subsidiary of the company.

### FIXED DEPOSIT

Your Company has not accepted any deposit during the year under review within the meaning of Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposit) Rules 1975.

### DIRECTORS

Mr. M.K. Ogra, Mr. Mahendra Patwari and Mr. K.C. Purohit retiring by rotation at the ensuing Annual General Meeting and all of them being eligible, have offered themselves for reappointment.

### DIRECTORS' RESPONSIBILITY STATEMENT

As per Section 217 (2AA) of the Companies Act, 1956, Your Directors state that :

1. In the preparation of the Annual Accounts, the applicable Accounting Standards have been followed with the proper explanation to material departure wherever applicable.
2. They have followed 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 on 31st March 2007, and of the profit of the Company for that period.
3. They 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.
4. The annual accounts have been prepared on a going concern basis.

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management discussion and analysis are covered in a separate report annexed hereto and marked as Annexure B.

### CORPORATE GOVERNANCE

A separate report on Corporate Governance is enclosed as part of this annual report and marked as Annexure "C". Requisite Certificate from the Auditors of the Company regarding compliance of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is annexed to the report of Corporate Governance. Adequate steps to ensure compliance of all the mandatory provisions of 'Corporate Governance' as provided in the Listing Agreements of the Stock Exchanges with which the Company's Shares are listed have been taken and your company has ensured its required compliance.

### AUDITORS

M/s. Das & Prasad, Chartered Accountants, Kolkata, the Auditor of the Company, retire at the ensuing Annual General Meeting and are eligible for re-appointment for which company has received a requisite certificate to u/s. 224(1B) of the Companies Act, 1956 from them regarding their eligibility for re-appointment as Auditors, we recommend their re-appointment.

### AUDITORS' REPORT

The observation made by the auditor in their Report together with Notes on Accounts are self explanatory and, therefore, do not call for any further explanation under Section 217 (3) of the Companies Act, 1956.

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

Information pursuant to 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 is given in **Annexure – A** to this report.

### PARTICULARS OF EMPLOYEES

None of the employees are drawing remuneration exceeding Rs.2.00 Lacs per month or Rs.24.00 Lacs per year. Hence, details required to be furnished in accordance with Sub Section (2A) of Section 217 of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 are not applicable.

### APPRECIATION

Your Directors take this opportunity to convey their sincere appreciation to the company's employees, bankers and shareholders for their valuable services and support and continued confidence in the company. Your Directors are also deeply grateful to the company's customers, associates, suppliers and Government authorities for their continued support.

Place : Kolkata  
Date : 16th June, 2007

By order of the Board  
**I. L. Patwari**  
(Chairman)

## ANNEXURE "A" TO DIRECTORS' REPORT

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULE, 1988.

## A. CONSERVATION OF ENERGY

The plant incorporates the latest technology for the conservation of energy. Particulars with respect to Conservation of Energy are given in Form-A.

## Form - A

Form for disclosure of particulars with respect to conservation of energy

	Year Ended 31.03.2007	Year Ended 31.03.2006
<b>1. Power Consumption</b>		
i) Electricity		
a) Purchased units (in lacs)	264.75	178.57
Total amount (Rs. In lacs)	1086.04	606.92
Rate per unit (Rs.)	4.10	3.40
b) Own Generation		
Through Diesel Generator		
Total Unit Generated (In lacs)	7.76	10.07
Units per litre of Diesel Oil	3.22	3.20
Cost per unit (Rs.)	8.10	6.71
ii) Coal	Nil	Nil
iii) Furnace Oil	Nil	Nil
iv) Other Internal General	Nil	Nil
<b>2. Consumption per unit of production</b>		
i) Electricity unit per kgs. of yarn	3.62	3.97
ii) Furnace Oil	Nil	Nil

## B. TECHNOLOGY ABSORPTION

Efforts made in Technology Absorption as per Form - B.

Indigenous technology alone is used and Research and Development are carried out by separate Textile Research Association for Textile units, SITRA and BITRA and the Company is a member of these associations.

## C. FOREIGN EXCHANGE EARNING AND OUTGO

- Activities relating to Exports, initiatives taken to increase exports, development of new market for products and services and export plans.

The Company is presently exporting yarn and other merchandise; steps are being taken to explore new markets and products developments.

- Total Foreign Exchange earned and used :

	2005-06 (Rs.)	2004-05 (Rs.)
Earning	2,08,03,47,062	1,45,01,08,873
Outgo	5,52,83,966	40,18,46,878

By order of the Board  
I. L. Patwari  
(Chairman)

Place : Kolkata  
Date : 16th June, 2007

## ANNEXURE "B" TO DIRECTORS' REPORT

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS SEGMENT - TEXTILE

## INDUSTRY STRUCTURE AND DEVELOPMENTS

The MFA agreement has ended and with it has ended the quota restrictions on the international trade of textile products. As a result of this the global trend now is for cotton textile production to move- to where the fibre is grown and - to Asia.

India is now set to become the 2nd largest producer of raw cotton in the world. As such India will become a stronger player in the global textile industry.

The cotton textile industry within the country is growing rapidly and is also getting consolidated. The fiscal policy regime has ensured a level playing field between the organized sector and the small sector. The de reserving of some sectors and the TUF scheme has ensured modernization, technological upgradation and high growth.

The increased usage of Bt seeds in cotton growing has brought about a jump in the yield per hectare of cotton. As such, India is achieving record output of cotton for the last 2 years and a new landmark of 300 lac bales is expected to be reached in the coming crop year i.e.2007-08. The Technology Mission on Cotton run by the Government has led to the modernization of the ginning factories. Hence, now more cotton of better quality is available in the country.

The fast economic growth has increased the level of disposable income in the hands of a large section of the population. This increased spending power is also spent on higher purchase of clothing and other textile articles. Also, the increase in income levels mean more people use cotton textiles by choice. Further, the growth of organized retail - malls, big format stores, super markets etc will also boost the consumption and demand for textiles. This huge growth in the volumes of clothing, apparel and home textiles etc. will create a pull of demand for the precedent segments such as processing, weaving and spinning.

## OPPORTUNITIES AND THREATS

The removal of quotas and the good pace of economic growth in the various countries that form the market for textiles presents a bigger market for textile producing countries like India. The growth of demand for clothing etc within the country acts as additional demand and also provides stability to the growth. The big jump in the cotton crop provides ample availability of cotton and also provides relative advantage to domestic producers. The extension of the TUF and the fiscal regime provide continuity and further scope to be competitive.

In the international market, the strength of the Indian Rupee and the low cost of production of other Asian and South Asian countries are formidable factors for the industry.

The rising fuel costs, the shortage and high cost of power are also worrisome. The overall higher level of activity in the economy has provided better choices to the man power and this is increasing the costs while reducing the availability simultaneously.

## RISK &amp; CONCERNS

The increasing strength of the Rupee against the Dollar and volatility in foreign exchange rates.

Intensification of international competition as a result of liberalization of import rules and also tariff concessions under SAFTA etc.

The poor infrastructure, costly and insufficient supply of power, shortage of skilled labour.

RBI's recent monetary policies have resulted in unprecedented increase in the rate of interest on the company borrowings from banks and financial institutions. Since all of the company's loans are linked to bank's prime lending rates, increase in the interest rates leaves an element of uncertainty in interest cost.



## ANNEXURE "B" TO DIRECTORS' REPORT (Contd.)

Raw cotton the key raw material used for the manufacturing of cotton yarn is an agricultural product and dependant on monsoon. Adequate availability of raw cotton at the right price is crucial for the company. Any change, disruption in the supply and/or violent changes in the cost structure could affect the profitability of the company are the main areas of concern.

### OUTLOOK

The overall outlook on the global demand appears positive and encouraging due to the healthy world economy. The positive sentiments are further strengthened due to robust domestic demand fuelled by retail revolution through new malls, super markets and growing number of fashion and brand conscious youth.

Your Company is geared to exploit the opportunities that are before it. The Company also has requisite systems and strategies to minimize the impact of the negative factors on the performance.

### COMPANY'S FINANCIAL PERFORMANCE AND ANALYSIS FINANCIAL RESULT

	2006-2007 (Rs. In lacs)	2005-2006 (Rs. In lacs)
Sales & Export Revenue	26323.41	17555.15
Other Income	90.44	3035.90
	<b>26413.85</b>	<b>20591.05</b>
PBIDT	2180.92	4205.69
Interest	512.13	219.76
Depreciation	533.67	314.09
<b>PROFIT BEFORE TAXATION</b>	<b>1135.12</b>	<b>3671.84</b>
Provision for taxation	(-) 135.60	(-) 57.87
Deferred Taxation Assets (Liability)	(-) 323.88	(-) 209.81
(Short) / Excess Provision for		
Income Tax written back	(-) 11.10	49.80
<b>PROFIT AFTER TAXATION</b>	<b>664.54</b>	<b>3453.96</b>
Profit Brought Forward from		
Previous Year	338.19	373.59
<b>PROFIT AVAILABLE FOR</b>		
<b>APPROPRIATIONS</b>	<b>1002.73</b>	<b>3827.55</b>
<b>APPROPRIATIONS</b>		
Transfer to General Reserve	550.00	3350.00
Proposed Dividend	80.26	121.40
Income Tax on Dividend	13.64	17.03
Excess/(Short) provision of Dividend		
& Tax thereon	(-) 0.15	0.93
Balance carried to Balance Sheet	358.98	338.19
	<b>1002.73</b>	<b>3827.55</b>

The Company's turnover for the year ended 31st March, 2007 stands at Rs.26323.41 lacs as against Rs.17555.15 lacs in the previous year, thus recording an increase of 49.95%.

Profit after tax for the year under review is Rs.664.54 lacs as against Rs. 3453.96 lacs in the previous year.

### INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has proper and adequate systems of internal controls which ensure that all assets are safeguarded against loss from unauthorized

use or disposition and that all transactions are authorized, recorded and reported correctly. Regular internal audits and checks are carried out to provide assurance that part of sound work culture and accounting system ensuring the responsibilities at various levels are discharged effectively and that adequate systems are in place. The Management continuously reviews the internal control systems and procedures enabling orderly and efficient conduct of business. The review includes overseeing adherence of the management policies, safeguarding the assets of the company and ensuring preparation of timely and accurate financial information. The emphasis on internal control prevails across functions and processes covering the entire gamut of business activities. Strong systems of internal audit, effective and comprehensive reviews by the Audit Committee of the Board have strengthened the internal control within the organization.

### HUMAN RESOURCE DEVELOPMENT / INDUSTRIAL RELATIONS

There is no doubt that your company has achieved the business targets every year due to the continuous and consistent dedicated efforts of the human resources of the company and this year is also not an exception. Your company has introduced a programme for upgrading the technical skills and expertise of the technical staff and operatives to match international standards.

Employee's relations continued to be cordial throughout the year. Your Company is committed to leveraging its human resources to enhance competitiveness in a globally challenging environment. A high level of organizational vitality is sought to be constantly maintained with a view to achieve the company's vision.

### CAUTIONARY STATEMENT

Statements in this report on Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions are forward looking statements based on the applicable laws or regulations. These statements are based on certain assumptions and expectations of future events. Actual results could, however, differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and domestic demand-supply conditions, finished goods prices, raw materials costs and availability, fluctuations in exchange rates, changes in Government regulations and tax structure, economic developments within India and the countries with which the company has business contacts and other factors such as litigation and industrial relations.

The company assumes no responsibilities in respect of the forward looking statements herein which may undergo changes in future on the basis of subsequent developments, information or events.

Place : Kolkata

Date : 16th June, 2007

By order of the Board

**I. L. Patwari**  
(Chairman)

## ANNEXURE 'C' TO DIRECTORS' REPORT

### CORPORATE GOVERNANCE REPORT

In compliance with the requirement of Clause 49 of the listing agreement with the stock exchange (s), your company submits the Annual Report of Corporate Governance.

#### 1. COMPANY'S PHILOSOPHY ON THE CODE OF GOVERNANCE

Your Company has always believed in the concept of good Corporate Governance involving transparency, empowerment, accountability and integrity with a view to enhancing the Share Holders' Value. The Company has professionals on its Board of Directors who are actively involved in the deliberations of the Board on all important Policy matters.

#### 2. BOARD OF DIRECTORS

##### COMPOSITION

- The Company's Board at present has nine directors comprising of two Managing Directors, two Whole Time Directors and four Non-Executive Directors. The Company has a Non-executive Chairman. The Company has a combination of executive and non-executive Directors. The number of non-executive Directors are more than 50% of total number of Directors.
- None of the Directors on the Board is a member of more than 10 committees and chairman of more than 5 committees (as per clause 49(iv)B) across all the companies in which he is a Director. All the Directors have made requisite disclosures regarding committee positions occupied by them in other companies.

The Board met Eight times on the following dates during the financial year 2006-2007 :

26.06.06	31.07.06	31.10.06	29.12.06	31.01.07	01.03.07	21.03.07	31.03.07
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The names and categories of Directors on the Board, their attendance at Board Meetings held during the year and at the last Annual General Meeting as also the number of Directorships and committee positions as held by them in other Public Limited Companies as on 31.03.2007 are given below :

Name	Category	No. of Meetings held during the Financial year	No. of Board Meetings attended during 06-07	Whether Attended AGM held on 27.09.06	No. of Directorship in other Public Limited Companies	No. of Committee Positions held in other Public Limited Companies		No. of Shares held in the Company as at 31.03.2007
						Chairman	Member	
Mr. I. L. Patwari	Promoter Non-Executive	8	8	Yes	2	None	1	612700
Mr. Sushil Patwari	Promoter Executive	8	8	Yes	3	None	4	416500
Mr. Sunil Patwari	Promoter Executive	8	1	No	2	None	1	399000
Mr. Mahendra Patwari	Executive	8	1	No	1	None	None	194000
Mr. K.C. Purohit	Executive	8	1	No	NIL	None	None	0
Mr. M.K. Ogra	Independent Non-Executive	8	7	Yes	5	2	None	0
Mr. K.L. Agarwal	Independent Non-Executive	8	4	No	1	None	None	0
Mr. D.P. Agarwal	Promoter Non-Executive	8	Nil	No	11	None	None	0
Mr. B. C. Talukdar	Independent Non-Executive	8	8	Yes	3	1	4	0

#### 3. COMMITTEES OF THE BOARD

##### A). AUDIT COMMITTEE

The Audit Committee comprises of four Directors viz. Mr. M.K.Ogra as Chairman of the Committee, Mr. I.L.Patwari, Mr. K.L.Agarwal and Mr. B. C. Talukdar as its members. Mr. J. Tiwari, Company Secretary, is the Secretary of the Audit Committee. The terms of reference of the Audit Committee are as contained in the Corporate Governance Clause of the Listing Agreement.

The Audit Committee met on the following dates during the financial Year 2006-2007 :

26.06.06	31.07.06	31.10.06	31.01.2007
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