



# Nagreeka

EXPORTS LIMITED



Report  Junction.com

**NINETEENTH  
ANNUAL  
REPORT  
2007-2008**

## ***Our beloved founder Chairman***



Late Shri Ishwar Lalji Patwari  
deported to heavenly abode  
on 8th July '2008

He continues to guide us towards excellence.

We live by his values & principles.

BOARD OF DIRECTORS	:	Shri Sushil Patwari	—	Chairman & Managing Director
		Shri Sunil Patwari	—	Vice Chairman & 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
		Shri Mahabir Prasad Periwal	—	Director
		Shri Rajendra M. Ruia	—	Director
COMPANY SECRETARY	:	Shri J. Tiwari		
BANKERS	:	Canara bank, Overseas Branch, Kolkata		
		ING VYSYA Bank Limited, Overseas Branch, Mumbai		
		Oriental Bank of Commerce, Overseas Branch, Kolkata		
		State Bank of Patiala, Commercial Branch, Mumbai		
AUDITORS	:	M/s. Das & Prasad		
		Chartered Accountants		
		4, Chowringhee Lane		
		Kolkata - 700 016		
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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## EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

- 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. 25,000/- 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, including monthly charges on account of one cellular handset.
  - xi) **Reimbursement of Entertainment / Traveling Expenses**  
Reimbursement of all entertainment, traveling, hotel and other expenses incurred by Mr. Sunil 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 Sunil 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. Sunil 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 and monthly charges on account of one cellular handset will not be considered in computing value of perquisites. Personal long distance calls of telephone shall be billed to Mr. Sunil Patwari."

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

The Draft Service Agreement between the Company and Mr. Sunil 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. Sunil Patwari, Mr. Sushil Patwari and Mr. Mahendra Patwari, no Director of the Company is concerned or interested in the resolution being item number. 7 of the Notice.

### ITEM NUMBER 8 :

Mr. Rajendra Mahavirprasad Ruia was appointed as an Additional Director in the Board meeting held on 31.07.2008. As per the provisions of Section 260 of the Companies Act, 1956, he would hold the office of Director till the conclusion of the forthcoming Annual General Meeting. However, the company has received a notice, in writing, from a Member of the Company, under section 257 of the Companies Act, 1956, informing that he would propose the name of Mr. R. M. Ruia for the office of Director in the forthcoming Annual General Meeting. The concerned member has also deposited with the Company requisite money required under section 257 of the Companies Act, 1956.

Save and except Mr. Rajendra Mahavirprasad Ruia, no Director of the Company is concerned or interested in the resolution being item number 8 of the Notice.

### ITEM NUMBER 9 :

Mr. Mahabir Prasad Periwal was appointed as an Additional Director in the Board meeting held on 31.07.2008. As per the provisions of Section 260 of the Companies Act, 1956, he would hold the office of Director till the conclusion of the forthcoming Annual General Meeting. However, the company has received a notice, in writing, from a Member of the Company, under section 257 of the Companies Act, 1956, informing that he would propose the name of Mr. M. P. Periwal for the office of Director in the forthcoming Annual General Meeting. The concerned member has also deposited with the Company requisite money required under section 257 of the Companies Act, 1956.

Save and except Mr. Mahabir Prasad Periwal, no Director of the Company is concerned or interested in the resolution being item number 9 of the Notice.

Place : Kolkata  
Date : 31st July, 2008

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



BOARD OF DIRECTORS	:	Shri Sushil Patwari	—	Chairman & Managing Director
		Shri Sunil Patwari	—	Vice Chairman & 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
		Shri Mahabir Prasad Periwal	—	Director
		Shri Rajendra M. Ruia	—	Director
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## NOTICE

Notice is hereby given that the 19th Annual General Meeting of the Members of **Nagreeka Exports Limited**, will be held at Bengal National Chamber of Commerce & Industry, 23, R.N. Mukherjee Road, Kolkata-700 001, on Tuesday, the 16th September, 2008 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, 2008, the Profit and Loss Account for the year ended on that date and reports of the Directors and the Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. Sushil Patwari, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. B. C. Talukdar, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Sri Sunil Patwari, who retires by rotation and being eligible, offers himself for re-appointment.
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 and in this connection to pass the following resolution, with or without modification, as an ordinary resolution :

"RESOLVED that pursuant to the provisions of section 224A of the Companies Act, 1956 and all other applicable provisions, if any, M/s. Das & Prasad, Chartered Accountants, Kolkata, the retiring Auditors of the Company be and are hereby re-appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting at a remuneration as may be fixed by the Board of Directors of the Company.

### 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. Sunil Patwari as Managing Director of the Company for a period of 5 years with effect from 1st September, 2008 upon the terms and conditions set out in the Relevant Explanatory Statement and also in the Draft Agreement. The 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. Sunil 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. Sunil Patwari, the remuneration as mentioned in the Relevant Explanatory Statement and in 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 Mr. Rajendra Mahavirprasad Ruia be and is hereby appointed as Director of the Company."
9. To consider and if thought fit to pass, with or without modification(s), the following resolution as an ordinary resolution :  

"Resolved that Mr. Mahabir Prasad Periwal be and is hereby appointed as Director of the Company."

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

Place : Kolkata  
 Date : 31st July, 2008

### 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, Mangoe Lane, 2nd Floor, 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 Register of Members and Share Transfer Books will remain closed from 09/09/2008 to 16/09/2008 (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 16/09/2008 (including the list of members supplied by NSDL / CDSL for members holding shares in Demat Form as on 16/09/2008).
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).

## NOTICE (Contd.)

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 Govt. as required under the law. Members who have not claimed or collected their dividend declared upto the aforesaid financial period are requested to claim such dividends from the Registrar of Companies, West Bengal, Nizam palace, IIInd MSO Building, 234/4, A. J. C. Bose Road, Kolkata - 20 by making an application in Form II of the Rules.
- Pursuant to Section 205A(5) of the Companies Act, 1956 all unclaimed or unpaid dividends upto the financial year ended 31st March, 1997 have been transferred to the Investors Education and Protection Fund established by the Central Government.
9. Members are informed that as per section 257 of the Companies Act, 1956, Mr. Ishwarlal Patwari, Chairman, was to retire by rotation in this 19th Annual General Meeting of the Members of the Company alongwith Mr. Sushil Patwari and Mr. Bibhuti Charan Talukdar. Since he (Ishwarlal Patwari) left for heavenly abode on, 8th July, 2008, now Mr. Sunil Patwari will retire by rotation alongwith Mr. Sushil Patwari and Mr. Bibhuti Charan Talukdar.
10. Details of the Directors retiring by rotation and being proposed for re-appointment are as under :-

Name of Director	Mr. Sushil Patwari	Mr. Bibhuti Charan Talukdar	Mr. Sunil Patwari	Mr. Rajendra Mahavirprasad Ruia	Mr. Mahabir Prasad Periwai
Date of Birth	20.08.1954	01.03.1936	15.11.1960	09.01.1957	12.08.1944
Date of Appointment	06.03.1989	30.06.2005	02.05.1989	31.07.2008	31.07.2008
Qualification	B. Com(H)	B. Com., PGDBN	FCA, MBA(IIM)	B. Sc., MBA	Graduate
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	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.	Rupa & Co. Ltd. Reliance Processors Ltd. Nagreeka Capital & Infrastructure Ltd.	Indian City Properties Ltd. Nagreeka Capital & Infrastructure Ltd. H. P. Cotton Mills Ltd.	Nagreeka Capital & Infrastructure Ltd.	Arco Leasing Ltd.	Pioneer Protec Ltd. Pioneer Plastic Industries Ltd. Sarda Housing Development Ltd.
Chairman / Member of the Committees of the Board of other Companies in which he/she is a Director	Nagreeka Capital & Infrastructure Ltd. Rupa & Co. Ltd.	Nagreeka Capital & Infrastructure Ltd. H. P. Cotton Mills Ltd.	Nagreeka Capital & Infrastructure Ltd.		

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

### ITEM NUMBER 7 :

Mr. Sunil Patwari was reappointed as managing Director of the Company with effect from 1st September, 2008, for a period of five years, in the Board Meeting held on 16th June, 2008. The Remuneration Committee also recommended his re-appointment in its meeting held on 16th June, 2008. The brief terms and conditions of his reappointment are as under :-

#### (a) Salary :

Rs. 2,00,000/- per month with effect from 01.09.2008.

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. 5,00,000/- 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

- 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. 25,000/- 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, including monthly charges on account of one cellular handset.
- xi) **Reimbursement of Entertainment / Traveling Expenses**  
Reimbursement of all entertainment, traveling, hotel and other expenses incurred by Mr. Sunil 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 Sunil 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. Sunil 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 and monthly charges on account of one cellular handset will not be considered in computing value of perquisites. Personal long distance calls of telephone shall be billed to Mr. Sunil Patwari."

The above may be treated as extract of the terms of re-appointment of Mr. Sunil Patwari as Managing Director as per Section 302 of the Companies Act, 1956.

The Draft Service Agreement between the Company and Mr. Sunil 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. Sunil Patwari, Mr. Sushil Patwari and Mr. Mahendra Patwari, no Director of the Company is concerned or interested in the resolution being item number. 7 of the Notice.

### ITEM NUMBER 8 :

Mr. Rajendra Mahavirprasad Ruia was appointed as an Additional Director in the Board meeting held on 31.07.2008. As per the provisions of Section 260 of the Companies Act, 1956, he would hold the office of Director till the conclusion of the forthcoming Annual General Meeting. However, the company has received a notice, in writing, from a Member of the Company, under section 257 of the Companies Act, 1956, informing that he would propose the name of Mr. R. M. Ruia for the office of Director in the forthcoming Annual General Meeting. The concerned member has also deposited with the Company requisite money required under section 257 of the Companies Act, 1956.

Save and except Mr. Rajendra Mahavirprasad Ruia, no Director of the Company is concerned or interested in the resolution being item number 8 of the Notice.

### ITEM NUMBER 9 :

Mr. Mahabir Prasad Periwal was appointed as an Additional Director in the Board meeting held on 31.07.2008. As per the provisions of Section 260 of the Companies Act, 1956, he would hold the office of Director till the conclusion of the forthcoming Annual General Meeting. However, the company has received a notice, in writing, from a Member of the Company, under section 257 of the Companies Act, 1956, informing that he would propose the name of Mr. M. P. Periwal for the office of Director in the forthcoming Annual General Meeting. The concerned member has also deposited with the Company requisite money required under section 257 of the Companies Act, 1956.

Save and except Mr. Mahabir Prasad Periwal, no Director of the Company is concerned or interested in the resolution being item number 9 of the Notice.

Place : Kolkata  
Date : 31st July, 2008

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



## DIRECTORS' REPORT

### TO THE MEMBERS

Your Directors have pleasure in presenting the 19th Annual Report on the affairs of your Company together with the Audited Statements of Account for the year ended 31st March, 2008.

### FINANCIAL RESULT

	2007-2008 (Rs. In lacs)	2006-2007 (Rs. In lacs)
Sales & Export Revenue	32,905.58	26323.41
Other Income	36.07	90.44
	<u>32,941.65</u>	<u>26413.85</u>
PBIDT	2,525.90	2180.92
Interest	638.29	512.13
Depreciation	614.98	533.67
PROFIT BEFORE TAXATION	1,272.63	1135.11
Taxation	(-) 430.77	(-) 470.57
PROFIT AFTER TAXATION	841.86	664.54
Profit Brought Forward from Previous Year	358.98	338.19
PROFIT AVAILABLE FOR APPROPRIATIONS	<u>1,200.84</u>	<u>1002.73</u>
APPROPRIATIONS		
Transfer to General Reserve	852.34	550.00
Proposed Dividend	93.75	80.26
Income Tax on Dividend	15.93	13.64
Excess provision of Dividend & Tax thereon	—	(-) 0.15
Balance carried to Balance Sheet	<u>238.82</u>	<u>358.98</u>
	<u>1,200.84</u>	<u>1002.73</u>

### DIVIDEND

Your Directors have pleasure in recommending payment of Dividend @Re. 0.75 per equity share of Rs. 5/- each, for the year ended 31st March, 2008. Total outgo on account of dividend for the financial year 2007-08 will be Rs. 109.68 lacs including dividend distribution tax.

### ALLOTMENT OF EQUITY SHARES TO PROMOTERS

During the year under review, the paid-up capital of your company increased from Rs. 5,76,90,000/- to Rs. 6,25,50,000/-, following allotment of 9,72,000 number of equity shares of Rs. 5/- each at a premium of Rs. 57.25 per share pursuant to conversion of Equity Share Warrants. The entire shares so issued are allotted to the Promoters and are subject to lock-in period.

### REVIEW OF OPERATION

The Company's turnover for the year ended 31st March, 2008 has jumped to Rs. 32,905.58 lacs from Rs. 26,323.41 lacs in the previous year, thus recording an increase of 25%.

Profit after tax for the year under review is Rs. 841.86 lacs as against Rs. 664.54 lacs in the previous year, an increase of 26.70%.

During the year there has been a significant appreciation in the value of rupee against the dollar. This has led to a squeeze in realisation in export markets which has also impacted local markets and there is reduction in margins for the yarn and textile producers. Your company has geared up the marketing network to tap new markets and segments to cope with the situation resulting growth in profitability and turn over in spite of the adverse situation

During the current year there is new trend of two way volatility in exchange rate of the rupee and your company is gearing up to deal with this. The raw cotton crop was a record one in crop year 2007-08 but record export have left insufficient quantity for domestic consumption. This shortage has taken prices of raw cotton to unprecedented high levels. This is a worrisome situation for your company but your Directors are confident of minimising the impact through better efficiency in procurement and consumption.

### FUTURE PROSPECTS

The Indian textile industry continues to exhibit strong growth supported by favourable demographics and rising income levels. The expansion and modernisation programme is fully implemented. As a result the company has achieved economy of scale, leading to reduction in cost of production, improving the production volume, productivity and in turn profitability. This effect will be even more evident in the current year (2008-09).

### AWARD & RECOGNITION

The Company was awarded by The Cotton Textile Export Promotion Council (TEXPROCIL) for achieving the third highest top exporter award in the category of yarn (Counts 50s and below) for export performance during the year 2006-2007.

### PUBLIC DEPOSIT

Your Company has not accepted any deposits 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. I. L. Patwari, Mr. Sushil Patwari and Mr. B. C. Talukdar retire 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 along with proper explanation relating to material departure.
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 2008, 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.

## DIRECTORS' REPORT (Contd.)

4. The annual accounts have been prepared on a going concern basis.

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

#### (A) INDUSTRY STRUCTURE AND DEVELOPMENT

The Cotton Textile Industry in India has grown in recent years. The country has achieved an output of cotton of 315 Lacs bales during the year 2007-08 and remains the 2nd largest producer of cotton in the world.

This should have ensured that the Textile Industry in India continued to have comfortable availability of cotton. However, the current year has reversed the trend. Because of quantum jump in cotton price worldwide, there has been stupendous increase in export of raw cotton. As a result there is insufficient cotton for domestic consumption and as such a number of textile companies have been facing shortage of raw cotton which has resulted in scaling down of production levels. Unless the Government of India comes out with a firm policy of to regulate the export of raw cotton, the domestic industry will face a shortage of cotton in spite of a bumper crop. The country will be exporting raw material instead of value added textile products.

#### OPPORTUNITIES AND THREATS

Although, de-reservation of some sectors and the Technology Upgradation Fund (TUF) Scheme has ensured modernization, technology upgradation and high growth potential of the Textile Industry in India, the industry has been facing unprecedented threats from the input cost of raw cotton. The price of raw cotton, in the last 6 months has increased from Rs. 21,000/- per candy to Rs. 28,500/- per candy, an increase of nearly 34%. There is no possibility, presently of the prices drifting southwards. Further the rising fuel costs, the shortage and high cost of power and continuous hike in the interest rate are negative factors for the Textile Industry in India at present.

The silver lining, however, for the industry in general is that the strength of Rupee has been reducing. Today it stands at Rs. 42.97 per USD. This may in recent months result in higher export revenue realization. Also, the growth in domestic consumption of clothing, apparel, home textile etc., is still robust and provides hope & opportunity.

Chinese export of textiles and clothing are faced with appreciation in Chinese currency, shortage of raw material, hike in wages and acute power shortage. This also provides an opportunity to India for improving its exports.

#### RISKS & CONCERNS

Today the Textile Industry has been facing a major input cost constraint. This will adversely impact the profitability of most of the textile and yarn manufacturers.

The domestic inflation has been hovering above 11% and growth rate of the Indian economy is slowing down. The scenario is no better in the world market and it is expected that the demand for ultimate cotton products will remain subdued in the near future.

#### OUTLOOK

One has to take a very cautious approach towards future growth potential.

It's expected that the world economic scenario may start improving from the middle of the next calendar year. The longer term outlook of growth in disposable income of Indians and the resultant growth in consumption particularly of textiles holds and is a big positive.

As per reports from various research agencies it is expected that garment exports from India to grow at a CAGR of 8-10% during the period 2007-08 to 2012-13 while the domestic market for ready made garment is expected to grow at a CAGR of 12-13 % by 2012-13. Further sub segments including cotton yarn and man made fibre are likely to witness similar growth.

#### 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 authorised, recorded and reported correctly. Regular internal audits and checks are carried out to provide assurance that 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 to obtain comfort regarding 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. A strong system of internal audit and effective and comprehensive reviews by the Audit Committee of the Board have strengthened the internal control within the organization.

#### HUMAN RESOURCE DEVELOPMENT / INDUSTRIAL RELATIONS

Your Company has been consistently upgrading the technical skills and expertise of the technical and operational staffs, so that it remains in tune with the international standards. Your Company also conducts in house training programmes at various levels. Industrial relations has been very smooth throughout the year. This cordiality has boosted your Company's endeavour to achieve the desired financial goals.

#### CAUTIONARY STATEMENT

Statements in this report on Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be forward looking statements considering the applicable laws or regulations. These statements are based on certain assumptions and expectation 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 responsibility in respect of the forward looking statements herein which may undergo changes in future on the basis of subsequent developments, information or events.