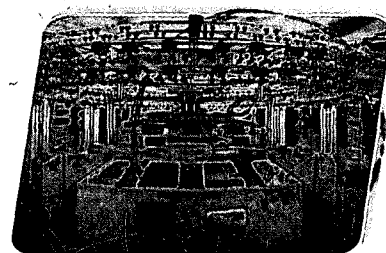
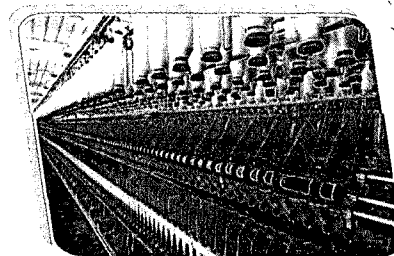


THE NAHAR GROUP



27th Annual Report 2006-07



Nahar

SPINNING MILLS LIMITED

BOARD OF DIRECTORS

Sh. Jawahar Lal Oswal

Sh. Dinesh Oswal

Sh. Kamal Oswal

Sh. Dinesh Gogna

Dr. (Mrs.) H.K. Bal

Sh. Amarjeet Singh

Dr. O.P. Sahni

Prof. K.S. Maini

Sh. S.K. Sharma

Chairman

Managing Director

Director

Director

Director

Director

Director

Director

Director

GENERAL MANAGER (FINANCE)

Sh. Hans Raj Kapoor

FINANCE CONTROLLERS

Sh. Anil Garg & Sh. P.K. Vashishth

COMPANY SECRETARY

Sh. Brij Sharma

AUDITORS

M/s Gupta Vigg & Co.

Chartered Accountants

101, Kismat Complex,

G.T. Road, Miller Ganj, Ludhiana-141 003.

BANKERS

: Punjab National Bank, State Bank of India, ICICI Bank Ltd.

REGD. OFFICE

: 373, Industrial Area- 'A', Ludhiana-141 003

WORKS

: Industrial Area-'A', Ludhiana (Punjab)
 Dhandari Kalan, G. T. Road, Ludhiana (Punjab)
 Village Simrai, Mandideep, Distt. Raisen (M.P.)
 Village Lalru, Distt. Patiala (Punjab)
 Village Jalalpur, Distt. Patiala, (Punjab)
 Rishab Spinning Mills, Village Jodhan, Distt. Ludhiana
 Nahar Exports, 100% EOU, Village Lehli/Lalru, Distt. Patiala
 Nahar Fibres, Jitwal Kalan, Malerkotla.

27th ANNUAL GENERAL MEETING

Day : Saturday

Date : 29th September, 2007

Time : 10.00 A.M.

Place : At the Premises of
 Nahar Industrial Enterprises
 Limited, Focal Point, Ludhiana

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NOTICE

Notice is hereby given that the **Twenty seventh Annual General Meeting** of the members of NAHAR SPINNING MILLS LIMITED will be held on **Saturday the 29th day of September, 2007 at 10.00th A.M.** at the premises of M/s Nahar Industrial Enterprises Limited, Focal Point, Ludhiana to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2007 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Sh. Jawahar Lal Oswal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Sh. Dinesh Gogna, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Dr. O.P. Sahni, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors who shall hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration. M/s Gupta Vigg & Co., Chartered Accountants, the retiring Auditors of the company being eligible, offer themselves for re-appointment.

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 the provisions of section 257 and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification or re-enactment thereof, for the time being in force and Article 78 of the Articles of Association of the Company. Sh. Satish Kumar Sharma, who was appointed by the board as an Additional Director of the company on 15th January, 2007 and who holds such office up to the date of forthcoming Annual General Meeting in terms of section 260 of the Companies Act, 1956 and in respect of whom the company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the company, liable to retire by rotation."

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

"RESOLVED THAT in supersession of resolution passed at the 14th Annual General Meeting held on 28th day of September, 1994 and pursuant to the provisions of section 293 (1) (d) and other applicable provisions, if any, of the Companies Act, 1956 the consent and approval is hereby accorded to the Board of Directors (hereinafter referred to as the 'Board' which expression shall also include a committee thereof) to borrow any sum or sums of money from time to time in Rupee currency and/or Foreign currency as they may deem necessary or expedient for the purpose of the business of the Company, upon such terms and conditions as the Board may in its absolute discretion think fit, notwithstanding that the monies to be borrowed, together with the monies already borrowed by the Company (apart from temporary loans obtained from the company's bankers in the ordinary course of business) may exceed the aggregate of the paid-up share capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount up to which monies may be borrowed by the Board of Directors shall not exceed the sum of Rs.1000 crores (Rupees One thousand crores only)."

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

"RESOLVED THAT in supersession of resolution passed at the 14th Annual General Meeting held on 28th day of September, 1994, and pursuant to the provisions of section 293 (1) (a) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force), the consent and approval is hereby accorded to the Board of Directors (hereinafter referred to as the 'Board' which expression shall also include a committee thereof) for the creation of mortgage and/or charge, in addition to the mortgages/charges created/to be created by the company, in such form and manner and with such ranking and at such times and on such terms as the Board may determine on all or any of the movable and immovable properties of the company, both present and future and/or on the whole or any part of the undertaking(s) of the



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company together with the power to take over the management of the business and concern of the company in certain events for securing the borrowings or financial assistance not exceeding Rs.1000 Crores by way of loan(s) (in foreign currency and/or rupee currency) and Securities comprising fully/partly convertible debentures and/or non convertible debentures with or without detachable warrants and/or other debt instruments, issued/to be issued by the company, from time to time together with interest at the respective agreed rates, additional interest, compound interest in case of default, accumulated interest, liquidated damages, commitment charges, premia on prepayment, charges and expenses including any increase as a result of devaluation/revaluation/fluctuation in the rates of exchange and all other moneys payable by the company in terms of the Loan Agreement(s), Heads of Agreement(s), Debenture Trust Deed(s) or any other document, entered into/to be entered into between the company and the Lender(s)/ Agent(s) and Trustee(s) in respect of the said loan/ borrowing/financial assistance."

"RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board is hereby authorised to finalise, settle and execute such documents/deeds/writings/papers/agreements as may be required and to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to creating mortgages/charges as aforesaid."

10. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT pursuant to provisions of Section 198, 309 and 310 and other applicable provisions of the Companies Act, 1956 read with and in accordance with the conditions specified in Schedule XIII of the said Act and in partial modification of the resolution passed by the members at their Annual General Meeting held on 30th September, 2006, consent and approval of the company be and is hereby accorded to the increase in remuneration payable to Sh. Dinesh Oswal, Managing Director w.e.f. 01.09.2007 for the remaining period of his present term i.e. up to 31.12.2011, in the manner and to the extent set out below :

Salary : Rs.30,00,000 (Thirty Lacs) per month

Commission : 1.5% of the net profit.

All other terms conditions of the service agreement will remain the same."

"RESOLVED FURTHER THAT the Board of Directors are hereby authorised to vary or increase the remuneration including salary, commission, perquisites, allowances etc. as payable to Sh. Dinesh Oswal, Managing Director without any further reference to the Company in the General Meeting so as not to exceed the limits or ceilings specified in Schedule XIII of the Companies Act, 1956."

"RESOLVED FURTHER THAT wherein any financial year the remuneration by way of salary, commission, perquisites and allowances as mentioned in the resolution and payable to Sh. Dinesh Oswal, Managing Director, exceed the maximum permissible limits prescribed in part II of the Schedule XIII of the Companies Act, 1956, the excess of salary over the limits prescribed, shall be paid after getting the necessary approval from the Central Government under the Companies Act, 1956."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to do all such acts, deeds, matters and things as in its absolute discretion it may consider necessary, expedient or desirable in order to give effect to the above resolution."

BY ORDER OF THE BOARD

PLACE: LUDHIANA

DATED :1st Sept., 2007

BRIJ SHARMA

(Company Secretary)

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/ HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY IN ORDER TO BE EFFECTIVE MUST BE DELIVERED AT THE REGISTERED OFFICE OF THE COMPANY, NOT LESS THAN FORTY EIGHT HOURS BEFORE THE TIME OF THE MEETING.
2. The Explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of special business under item no. 7 to 10 are annexed hereto and form part of the notice.



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3. The Register of Members and Share Transfer Register of the Company shall remain closed from 21.09.2007 to 29.09.2007 (both days inclusive).
4. The dividend on equity shares as recommended by the Board of Directors, if approved at the Annual General Meeting will be paid to the members, whose names appear in the Register of members as on 29th Sept., 2007 or Register of beneficial owners, maintained by the Depositories at the close of 20th Sept., 2007.
5. Pursuant to Section 205-C of the Companies Act, 1956 all unclaimed dividends upto the financial year 1999-2000 (INTERIM) have been transferred to Investor Education and Protection Fund. Further unpaid Final dividend for the year 1999-2000 is to be transferred to Investor Education and Protection Fund pursuant to section 205-C of the Companies Act, 1956 in November, 2007. Shareholders who have not encashed their dividend warrants relating to the said period are requested to claim the amount from the company at the earliest.
Further we may also inform that once the amount is deposited with Central Government, it cannot be claimed later on as per the Companies (Amendment) Act, 1999.
6. The Bond holders who have not surrendered the Letter of Allotment/Bond Certificates for redemption till date are requested to surrender the Letter of Allotment/Bond Certificates immediately to enable the Company to send Redemption Warrant to them.
7. The bank account particulars of the members will be printed on the dividend warrants. Members holding shares in physical form are requested to immediately notify change in their address/Bank details to the Company's Share Transfer Agent M/s Alankit Assignments Limited or to the Company's Registered Office at 373, Industrial Area-A, Ludhiana-141 003.
Members holding shares in electronic form are requested to notify change in their address/Bank details to their Depository Participants before 20th Sept., 2007.
8. Since the Company's shares are in compulsory demat trading, to ensure better service and elimination of risk of holding shares in physical form, we request shareholders holding shares in physical form to dematerialise their shares at the earliest.
9. To avail the facility of nomination, Members are requested to send us duly filled and signed Nomination Form (Form 2B).
10. The documents referred to in the accompanying Explanatory Statement are open for inspection at the

Registered Office of the company on any working day (except Sunday & holiday) between 10.00 A.M. to 12.00 Noon up to the date of Annual General Meeting.

11. Members seeking any information with regard to Annual Accounts at the time of meeting are requested to send their queries to the Company at least 7 days before the date of meeting so as to enable the management to keep the relevant information ready.
12. Members are requested to bring the copy of Annual Report alongwith them, at the meeting.
13. The information required to be provided under clause 49 of the Listing Agreement entered into with the Stock Exchanges, regarding the Directors who are proposed to be appointed/re-appointed is given hereunder and form part of the notice.

Information pursuant to Corporate Governance Clause of the Listing Agreement regarding Directors seeking appointment/re-appointment.

As required under the listing agreement, the particulars of Directors who are proposed to be appointed/re-appointed are given below:

I. Name	: Sh. Jawahar Lal Oswal
Age	: 64 years
Qualification	: Graduate
Expertise	: Having 43 years business experience in the Textile and Woollen Industry.

Directorships/membership in the committees of the Board in other Companies

Name of the company	Committee	Status
1. Oswal Woollen Mills Limited	—	—
2. Nahar Exports Limited	—	—
3. Nahar Industrial Enterprises Ltd.	—	—
4. Sankheshwar Holding Co. Ltd.	—	—
5. Vardhman Investments Ltd.	—	—
6. Girnar Investments Ltd.	—	—
7. Palam Motels Ltd.	—	—
8. Nagdevi Trdg. & Inv. Co. Ltd.	—	—
9. Atam Vallabh Financiers Ltd.	—	—
10. Vanaik Investors Ltd.	—	—
11. Ludhiana Holdings Ltd.	—	—
12. Monica Growth Fund (P) Ltd.	—	—
13. Ruchika Growth Fund (P) Ltd.	—	—
14. J.L. Growth Fund (P) Ltd.	—	—
15. Abhilash Growth Fund Ltd.	—	—
16. Neha Credit & Investment (P) Ltd.	—	—
17. Ogden Trading & Inv. Co. (P) Ltd.	—	—
18. Nahar Growth Fund Ltd.	—	—
19. Nahar Capital and Financial Services Ltd.	—	—



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II. Name	:	Sh. Dinesh Gogna
Age	:	54 years
Qualification	:	B.A. LL.B
Expertise	:	Having more than 30 years experience in Corporate Finance & Taxation.

Directorships/membership in the committees of the Board in other Companies

Name of the company	Committee	Status
1. Oswal Woollen Mills Limited	Audit	Member
2. Nahar Exports Limited	Audit	Member
	Share Transfer	Member
3. Nahar Industrial Enterprises Ltd.	Audit	Member
	Share holders	Chairman
	Grievance Transfer	Member
4. Girnar Investment Ltd.	—	—
5. Oswal Leasing Ltd.	—	—
6. Nahar Retail Limited	—	—
7. Nahar Capital and Financial Services Ltd.	—	—

III. Name	:	Dr.. O.P. Sahni
Age	:	66 years
Qualification	:	Ph.D
Expertise	:	Having more than 30 years experience in teaching Management and Administration.

Directorships/membership in the committees of the Board in other Companies

Name of the company	Committee	Status
1. Midland International Ltd.	—	—
2. Nahar Exports Limited	—	—
3. Nahar Capital and Fin. Services Ltd.	Shareholders	Member
	Grievance	
4. Nahar Indl. Enterprises Ltd.	Shareholders	Chairman
	Grievances	
	Remuneration	Member
	Audit	Member
5. Oswal Woollen Mills Ltd.	Audit	Member
	Shareholders	Member
	Grievance	
	Remuneration	Member

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

ITEM NO.7

The Board of Directors at its meeting held on 15th Jan., 2007 appointed Sh. Satish Kumar Sharma as an Additional Director of the company pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 78 of Articles of Association of the Company. Sh. Satish Kumar Sharma shall hold the Office of Director upto the ensuing Annual General Meeting of the Company.

The company has received a notice in writing alongwith requisite deposit from a member under section 257 of the Companies Act, 1956 signifying his intention to propose the appointment of Sh. Satish Kumar Sharma as a director, liable to retire by rotation. The company has also received consent in writing from Sh. Satish Kumar Sharma to act as a Director of the company, if appointed.

Sh. Satish Kumar Sharma is 54 years of age. He is MBA and is having more than 25 years experience as Corporate Executive. The Board consider that having regard to his knowledge and experience, it will be in the interest of the company to appoint him as director of the company.

His Directorship/Membership in the Committees of the Board is as under :

Name of the company	Committee	Status
Nahar Capital and Financial Services Ltd	Audit	Member
	Grievances	Member
	Remuneration	Member
Nahar Exports Limited	---	---

The Board recommend the resolution for your approval.

None of the Director except Sh. Satish Kumar Sharma may be deemed to be concerned or interested in the resolution.

ITEM NO. 8

Under the provisions of section 293(1)(d) of the Companies Act, 1956, consent of the shareholders of the company is required for determining the limits upto which the Board of Directors of the company may borrow, where the borrowings together with the money already borrowed would exceed the aggregate of the paid up capital and free reserves of the company.

At the 14th Annual General Meeting held on 28th day of September, 1994, the shareholders had authorised the Board of Directors U/s 293(1)(d) of the Companies Act, 1956 to borrow money(s) upto Rs.200/- crores.



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Pursuant to the scheme of demerger and arrangement between the Company and Nahar Exports Limited duly approved by the Hon'ble Punjab & Haryana High Court at Chandigarh vide its Order dated 21st Dec., 2006, 'Textile Business' of Nahar Exports Limited stands demerged and transferred to the company w.e.f. 1st April, 2006. Moreover seeing the emerging opportunities in the Textile scenario, in the domestic as well as Overseas markets, Company is proposing to expand its capacities and operations. Accordingly it may be necessary for the company to borrow money from various Banks, Financial Institutions and other sources to fund its expansion projects. It is expected that the present borrowing limits may not be sufficient to fund its future requirement of funds for expansion projects.

With a view to facilitate company's additional/future requirements of funds, from time to time, consent of the shareholders is sought U/s 293(1)(d) of the Companies Act, 1956 for increasing the limit from Rs. 200/- crores to Rs.1000/- crores, upto which the Board of Directors of the company may borrow.

Your directors recommend the resolution for your approval.

None of the Directors of the company is anyway concerned or interested in the said resolution.

ITEM NO.9

Since the borrowings of the company are generally required to be secured by way of creation of mortgage and/or charge and/or hypothecation and/or pledge and/or assignments and/or Lien on all or any of the movable and/or immovable properties of the company, both present and/or future, it has been considered necessary to seek the approval of the shareholders under section 293(1)(a) of the Companies Act, 1956 for creating security as mentioned above.

At the 14th Annual General Meeting held on 28th day of September, 1994, the shareholders had authorised the Board of Directors U/s 293(1)(a) of the Companies Act, 1956 for creation of mortgage and/or charge over the properties of the company to secure borrowings or financial assistance not exceeding Rs.500/- crores. Now the consent of the shareholders is sought for authorising the Board to create mortgage and/or charge and/or hypothecation and/or pledge over the property of the company, both present and future to secure borrowings or financial assistance upto an aggregate amount not exceeding Rs.1000/- crores.

Your directors recommend the resolution for your approval.

None of the Directors of the company is anyway concerned or interested in the said resolution.

ITEM NO.10

Sh. Dinesh Oswal was re-appointed as Managing Director of the company for period of 5 years w.e.f. 1st January, 2007 by the shareholders at the Annual General Meeting held on 30th September, 2006. He has been drawing remuneration as per Schedule XIII and shareholders approval vide resolution date 30th September, 2006.

As per scheme of Demerger and Arrangement duly approved by the Hon'ble Punjab and Haryana High Court vide its order dated 21st December, 2006, Textile Business of Nahar Exports Ltd stand demerged and transferred to Nahar Spinning Mills Ltd w.e.f. 1st April, 2006. Mr. Dinesh Oswal, who was Managing Director of Nahar Exports Ltd. and was managing the affairs of company's three spinning units, having a spindlage capacity of 1.75 Lacs, ceased to be the Managing Director of Nahar Exports Ltd. as per Scheme. Upon implementation of the scheme the said three spinning units of Nahar Exports Ltd. stands merged with the company thereby increasing the company's spindlage capacity to 3.35 Lacs Spindles. Thus evidently Mr. Dinesh Oswal responsibility for managing the affairs of the consolidated textile company has increased substantially.

Besides, to align his remuneration package, prevalent in the corporate world/industry, the remuneration committee reviewed package payable to Sh. Dinesh Oswal. After considering all the aspects, the committee has recommended increase in the remuneration as mentioned in the resolution w.e.f. 1st September, 2007

Your directors recommend the resolution for your approval.

Sh. Jawahar Lal Oswal and Sh. Kamal Oswal, being relative and Sh. Dinesh Oswal may be deemed to be concerned or interested in the said resolution. None of the remaining Directors is/are concerned or interested in the resolution.

The resolution as given in the notice may also be treated as an abstract of the terms of contract appointment under the provisions of section 302 of the Companies Act, 1956. The supplementary draft agreement to be entered into between the company and Sh. Dinesh Oswal, is available for inspection at the Registered Office of the Company.

BY ORDER OF THE BOARD

PLACE: LUDHIANA

DATED :1st Sept., 2007

BRIJ SHARMA
(Company Secretary)



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DIRECTORS REPORT

Dear Members,

Your Directors have pleasure in presenting the **TWENTY SEVENTH ANNUAL REPORT** on the affairs of the company for the year ended 31st March, 2007.

FINANCIAL PERFORMANCE

The Company's Financial Performance during the year is summarised below:

PARTICULARS	(Rs. In Lacs)	
	Current Year	Previous year
PROFIT FOR THE YEAR BEFORE TAX & DEPRECIATION	16503.66	6751.27
Less : Depreciation	7197.15	3719.07
Provision for Taxation	2725.00	400.00
Provision for Deferred Tax	155.00	- 425.00
PROFIT AFTER TAX	6426.51	2207.20
Adjustment of Income Tax of earlier years	+ 2.07	- 179.82
Depreciation of earlier years written back	---	+ 796.42
Amount available for appropriation	6428.58	2823.80
APPROPRIATION		
Proposed Dividend	901.63	837.83
Tax on Dividend	153.23	117.50
Transfer to General Reserve	5373.58	1868.39
Dividend including tax thereon paid for earlier year	0.14	0.08
	6428.58	2823.80

SANCTION OF COMPOSITE SCHEME OF DEMERGER AND ARRANGEMENT

We are pleased to inform you that the Hon'ble Punjab & Haryana High Court sanctioned the Composite scheme of Demerger and Arrangement (hereinafter referred to as 'Scheme') between the Company, Nahar Exports Limited and Nahar Capital and Financial Services Limited, vide its Order dated 21st December, 2006. The said Order was filed and registered by the Ministry of Company Affairs through the office of Registrar of Companies, Punjab, H.P. & Chandigarh at Jalandhar on 12th January, 2007. Thus as per scheme, company's 'Investment Activities' stand demerged and transferred to Nahar Capital and

Financial Services Limited and 'Textile Business' of Nahar Exports Limited's stand demerged and transferred to the company w.e.f. the appointed date i.e. 1st April, 2006.

PERFORMANCE REVIEW

We would like to inform you the annual Financial Results have been prepared as per scheme duly approved by the Hon'ble Punjab and Haryana High Court. Accordingly current year's financial results are consolidated results of 'Textile Business' but exclude the operating results of the 'Investment Activities'. Before reviewing the overall performance, we would like to report segment wise performance of the company. As per the disclosure requirements of



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Accounting Standard A.S. 17 issued by the Institute of Chartered Accountants of India, company's activities can be classified under two segments namely "Yarn Segment" and "Garment Segment". The working performance of each Segment is as under:-

YARN SEGMENT

Upon implementation of the scheme, company's consolidated Spindlage capacity stand increased to 335000 spindles. Besides, company is also having Gas Mercerised plant with a capacity of 2040 MTs per annum to cater overseas yarn demand from quality conscious markets of USA and European Union.

During the year under review, Yarn Segment performed reasonably well and contributed Rs.772.57 crores towards company's turnover out of which Rs. 435.11 crores was export turnover. The profit before tax and interest from Yarn segment has risen to Rs.86.52 crores

GARMENT SEGMENT

Garment Segment has also performed exceptionally well. The segment contributed Rs.205.26 crores towards the revenues of the Company out of which Rs.164.69 crores was on account of exports. The profit before tax and interest at Rs.24.92 crores has shown an impressive increase of 301.93% over the previous year.

We are pleased to inform you that your company has been awarded by the Apparel Export Promotion Council with AEPC Achievement Award for achieving highest export in Garments for the year 2006.

OVERALL PERFORMANCE

From the above, it is evident that company's performance has been excellent on all operational front. The company achieved a net sales/operating income of Rs.911.94 crores out of which Rs.599.80 Crores is export turnover. Thus exports constitute 66% of the operating income. Because of its excellent export performance in Garment, your company has been awarded **AEPC Achievement Award** by the Apparel Export Promotion Council.

The company has also improved its profitability and has earned a net profit of Rs.64.29 crores. After appropriation of profits as per detail hereinabove, an amount of Rs.53.74 crores has been transferred to General Reserve thereby increasing company's reserves to Rs.501.33 crores (Post scheme of demerger and arrangement) as on 31st March, 2007.

Your Management expects that same tempo of growth shall continue in the current year too. However the appreciation of Rupee vis-à-vis US Dollars coupled with higher rate of interest are causing some concern for the Textile Industry. But the timely announcement of package by the Central Government, in the form of increased rates of duty draw back and concessions in pre and post credit for exports, will enable the company to improve its financial performance. We are quite optimistic that being a leading Integrated Textile Player, company shall be able to meet the challenges ahead and further improve its performance in the coming periods.

DIVIDEND

Your Directors are pleased to recommend a dividend @50% on paid up equity share capital for the year ended 31st March, 2007.

The dividend, if approved at the forthcoming Annual General Meeting, will be paid out of the profits of the company for the year under reference to all those shareholders whose names shall appear in the Register of Members on 29th September, 2007 or Register of beneficial owners, maintained by the Depositories as at the close of 20th September, 2007.

ALLOTMENT OF SHARES AS PER SCHEME OF DEMERGER AND ARRANGEMENT

Upon the sanction of Scheme, company fixed 2nd February, 2007 as **Record date** to determine the shareholders who shall be eligible to get the equity shares as per scheme. The company made the allotment of equity shares on 5th February, 2007 as per scheme, to all the shareholders who were holding equity shares on the record date fixed for the purpose. Both the depositories i.e. National Securities



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Depository Limited (NSDL) and Central Depository Services (India) Ltd (CDSL) credited the equity shares to the respective demat account of the allottees holding equity shares in electronic mode, on 3rd March, 2007, 5th March, 2007 and 6th March, 2007 respectively. The physical share certificates were also despatched to the shareholders on 12.02.2007 by M/s. Alankit Assignments Ltd, New Delhi, the Registrar and Transfer Agent of the Company.

In case any member has not got the equity shares, he/she should contact company's Registrar and Transfer Agent at New Delhi or the Company Secretary at the Registered Office of the company.

DIRECTORS

Sh. S.L. Sehgal, ceased to be the Executive Director of the company on 30th June, 2007 on the expiry of the period of his office. He has also resigned from the Directorship of the company w.e.f. 30th June, 2007. The Board place on record their appreciation for the valuable services rendered by him.

Pursuant to article 91 of the Articles of Association of the company Sh. Jawahar Lal Oswal, Sh. Dinesh Gogna and Dr. O.P. Sahni will be retiring by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

As per Scheme Sh. Satish Kumar Sharma, ceased to be director of the company. However having regard to his knowledge, experience and expertise, the Board appointed him as additional director on 15th January, 2007. He will hold the office upto the ensuing Annual General Meeting. The company has received a notice under section 257 of the Companies Act, 1956 from a member proposing his candidature as director of the company subject to your approval. The necessary resolution is being proposed for your approval in the ensuing Annual General Meeting.

In terms of clause 49 of the Listing Agreement with the Stock Exchanges, the details of Directors to be appointed/re-appointed are contained in the accompanying Notice of the forthcoming Annual General Meeting.

CREDIT RATING

The Credit Rating Information Services of India Ltd. (CRISIL) has re-confirmed the credit rating "P1+" (Pronounced "P one plus") to the Company for short term loan upto Rs.13.5 Crores.

LISTING OF SECURITIES

The securities of the company are presently listed on the following Stock Exchanges:

- i. The Bombay Stock Exchange Ltd., Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai.
- ii. The National Stock Exchange of India Ltd., Exchange Plaza, 5th Floor, Plot No.C/1, G-Block, Bandra Kurla Complex, Bandra (E), Mumbai

The Company has paid listing fee to both the Stock Exchanges for the financial year 2007-2008.

DEMATERIALISATION OF SECURITIES

As the members must be aware that company's securities are tradable compulsorily in electronic form w.e.f. 21st March, 2000. Your Company has already established connectivity with both the Depositories i.e. National Securities Depository Limited (NSDL) and Central Depository services (India) Limited (CDSL) to facilitate the holding and trading of securities in electronic form. As on date 92.45% of the share capital of the company have been dematerialised. The shareholders who have not gone in for dematerialisation of shares till date, are requested to opt for dematerialisation of the shares at the earliest.

Further as per SEBI circular no. D&CC/FITTC/CIR-15/2002 dated 27th December, 2002, Company has appointed M/s Alankit Assignments Ltd. as Registrar for Share Transfer and Electronic Connectivity. Accordingly all the shareholders, Investors, Members of the Stock Exchanges, Depository Participants and all other concerned are requested to send all communication in respect of Share Transfer, Demat/ Remat, Change of Address etc. to our Registrar at below mentioned address: