



# PRANAVADITYA

## Spinning Mills Limited

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17th  
Annual Report  
2006-07


**PRANAVADITYA SPINNING MILLS LIMITED**
**BOARD OF DIRECTORS :**

MR. HARKISHON N. UDANI	Chairman
MR. ANIL KUMAR JAIN	Additional Director (since appointed on 31st July, 2007)
MR. YESHWANT R. SHAH	Director
MR. SUMAN B. SHAH	Director (since resigned on 24th July, 2007)
MR. MAHENDRA S. SHAH	Director
MR. P. N. SHAH	Additional Director (since appointed on 31st July, 2007)
MR. R. ANAND	Additional Director (since appointed on 31st July, 2007)
MR. ASHOK HALASANGI	Director – Technical

**GENERAL MANAGER (FINANCE) & COMPANY SECRETARY :**

MR. KAUSHAL DHARAMSHI

**BANKERS :**

BANK OF BARODA  
UNION BANK OF INDIA

**AUDITORS :**

M/s. VINOD VASA & ASSOCIATES  
Chartered Accountants,  
Jumna Building,  
292, Tilak Marg, Dhobi Talao,  
Mumbai - 400 002.

**SHARE TRANSFER AGENTS :**

Bigshare Services Pvt. Ltd.  
E-2 & 3, Ansa Industrial Estate,  
Saki Vihar Road,  
Saki Naka, Andheri (E),  
Mumbai – 400 072.  
Tel. 28470652  
28470653

**CORPORATE OFFICE :**

92, Mittal Chambers,  
Nariman Point,  
Mumbai - 400 021.

**REGISTERED OFFICE & MILL :**

Village : Alte  
Taluka : Hatkanangale  
District : Kolhapur  
Maharashtra : 416 109.

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## NOTICE

Notice is hereby given that the **Seventeenth Annual General Meeting** of the members of **PRANAVADITYA SPINNING MILLS LTD.** will be held on Thursday, **27<sup>th</sup> September, 2007**, at 4.00 p.m. at the Registered Office of the Company at Village Alte, Hatkanangale Taluka, Kolhapur District, Maharashtra - 416 109 to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March 2007 and the Audited Profit & Loss Account for the financial year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Yeshwant R. Shah, who retires by rotation and not willing to be re-appointed.
3. To appoint a Director in place of Mr. Mahendra S. Shah, who retires by rotation and not willing to be re-appointed.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

### SPECIAL BUSINESS:

To consider and if thought fit to pass with or without modifications, the following resolution as an Ordinary Resolution :

1. "RESOLVED THAT Mr. Anil Kumar Jain, who was appointed as Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 and Article 125 of the Articles of Association of the Company and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."
2. "RESOLVED THAT Mr. R. Anand, who was appointed as an Additional Director of the company pursuant to the provisions of section 260 of the Companies Act, 1956 and Article 125 of the Articles of Association of the company and who holds office up to the date of this Annual General Meeting and in respect of whom the company has received a notice in writing under section 257 of the Companies Act, 1956, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."
3. "RESOLVED THAT Mr. P. N. Shah, who was appointed as an Additional Director of the company pursuant to the provisions of section 260 of the Companies Act, 1956 and Article 125 of the Articles of Association of the company and who holds office up to the date of this Annual General Meeting and in respect of whom the company has received a notice in writing under section 257 of the Companies Act, 1956, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

### NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
2. The Proxies, in order to be effective, should be duly completed, stamped and signed and must be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the meeting.
3. All documents referred to in Notice and the accompanying Explanatory Statement including Memorandum & Articles of Association of the Company are open for inspection at the Registered Office of the Company on all working days except Saturdays, between 11.00 a.m. to 1.00 p.m. upto the date of an Annual General Meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from **10<sup>th</sup> September, 2007 to 20<sup>th</sup> September, 2007**. (Both days inclusive)
5. The Company's Equity Shares are listed at The Stock Exchange, Mumbai (Regional Stock Exchange), Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001. The Annual Listing Fees as prescribed has been paid to this Stock Exchange.
6. Members are requested to:
  - (a) Notify any change in their registered address along with pin code numbers to Company's Share Transfer Agent, M/s. Bigshare Services Private Limited, at E : 2/3, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai - 400 072.
  - (b) Quote their respective ledger folio numbers on every communication with the Company and / or Share Transfer Agent.
  - (c) Bring their copies of Annual Report to the meeting. No copies of the Annual Report will be available for distribution to the members at the meeting.
  - (d) Deposit duly filled-in attendance slip annexed to the Proxy Form at the entrance to the place of meeting and not to bring with them any other person who is not a member / proxy.
  - (e) Write to the Company at least 10 days before the date of the meeting regarding any information on accounts so as to enable the Company to keep the information ready.
  - (f) Consider dematerializing the equity shares held by them.
  - (g) Pursuant to clause 49 (VI) (A) of the listing agreement with the Stock Exchanges, following information is furnished about the Directors proposed to be appointed / re-appointed :

As per Attached Annexure - I

By the Order of Board of Directors

Place: Mumbai  
Dated: 31<sup>st</sup> July, 2007

**Harkishon N. Udani**  
Chairman

**Registered Office:**  
Village Alte, Hatkanangale Taluka,  
Kolhapur, Maharashtra - 416 109.

**ANNEXURE - I**

**Details of the Directors seeking Appointments / Re-appointments at the forthcoming  
Annual General Meeting  
(In Pursuance of Clause 49 (VI) (A) of the Listing Agreement)**

<b>Name of Director</b>	<b>Mr. Anil Kumar Jain</b>	<b>Mr. P. N. Shah</b>	<b>Mr. R. Anand</b>
<b>Date of Birth</b>	<b>09.05.1953</b>	<b>01.01.1929</b>	<b>05.11.1933</b>
<b>Qualifications</b>	<b>B.Com.</b>	<b>B.Com., F.C.A.</b>	<b>B.Sc., B.E. (Text)</b>
<b>Date of Appointment</b>	<b>31<sup>st</sup> July, 2007</b>	<b>31<sup>st</sup> July, 2007</b>	<b>31<sup>st</sup> July, 2007</b>
<b>Expertise in specific Functional Areas</b>	Mr. Jain is a Commerce Graduate with rich experience in general business administration for about 35 years and associated with Textile Industry for more than 25 years.	Mr. P. N. Shah is a Chartered Accountant by Profession and Specialized in the fields of audit taxation, finance for more than 53 years. He was past President of Institute of Chartered Accountants of India.	Mr. R. Anand is a Science Graduate and is Associated with Textile Industry for about 30 years.
<b>Directorships held in Other Public Ltd. Companies</b>	1. Indo Count Industries Ltd. 2. Indo Count Finance Ltd. 3. Kanco Enterprise Ltd.	1. Indo Count Industries Ltd. 2. Tapria Tools Ltd. 3. P.I. Industries Ltd. 4. Secure Meters Ltd. 5. Wolkem India Ltd. 6. Lippi Data System Ltd.	1. Nova Silk Ltd. 2. Maxwell Apparels Ltd. 3. NCL Industries Ltd. 4. Indo Count Industries Ltd.



## DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Seventeenth Annual Report on the working of the Company for the financial year ended 31<sup>st</sup> March, 2007 together with Statements of accounts for that year.

### FINANCIAL RESULTS :

	For the year ended 31 <sup>st</sup> March, 2007 (Rs. In lacs)	For the year ended 31 <sup>st</sup> March, 2006 (Rs. In lacs)
Gross Sales	2849.05	2919.70
Profit / (Loss) before Depreciation, Interest and Tax Other Write Offs	73.16	152.52
Less : Interest	81.42	185.66
Depreciation	218.90	218.62
	(227.16)	(251.77)
Add : Prior year Expenditure / Income (Net)	(13.69)	(84.14)
Net loss for the year before Taxation	(240.85)	(335.91)
Less : Short Provision of Earlier Year	0.91	0
Less : Fringe Benefit Tax	1.45	1.79
Net Loss after Tax	(243.21)	(337.70)
Add : Balance in Profit & Loss Account	(1701.59)	(1363.89)
Balance carried to Balance Sheet	(1944.80)	(1701.59)

The turnover for the year 2006-07 was Rs. 2849.05 lacs against Turnover of Rs. 2919.70 lacs last year. The job work earnings during the year decreased from Rs. 141.22 lacs to Rs. 96.28 lacs over last year. The operational profit was reduced by around 48%, the reasons were overall adverse market conditions, low productivity and higher costs of productions. The profit margins were substantially low compared to cost of production.

### DIVIDEND :

In view of the continued losses of the Company, your Directors regret their inability to propose any dividend.

### REVIEW OF OPERATIONS :

During the year under review, the cotton prices were ruling at higher levels. The power cost has kept on increasing continuously and was higher by about 27%, resulted in to higher cost of production. The working was also affected due to severe liquidity problems and financial constraints. Constant attention was also being given to cost controls and reduction in expenses and quality requirements.

### FUTURE OUTLOOK :

The company had been declared sick as per the provisions of Companies (Special Provisions) Act, 1985 by BIFR vide its order dated 5<sup>th</sup> October, 2006. With the approval of the company's bankers, the company had submitted to BIFR a Draft Rehabilitation Scheme proposing to induct M/s. Indo Count Industries Ltd. as Co-Promoters to lend financial and management support to the sick unit in its revival efforts. The DRS as published by the BIFR has been sanctioned at the hearing held on 26<sup>th</sup> June, 2007. The Directors hope that with the implementation of the sanctioned scheme, the unit would get revived in due course.

### DIRECTORS' RESPONSIBILITY STATEMENT :

The Directors; in compliance of section 217(2AA) of the Companies Act, 1956; confirm :

- that in preparation of the Annual Accounts, the applicable accounting standards have been materially followed subject to Note nos. 1(i) read with note no. 8, note no. 4, note no. 5, note no. 7(c), and note no. 12 of Schedule 18 of the Accounts.
- that the selected accounting policies were applied consistently and the Directors made judgments 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 financial year and of the loss of the Company for the aforesaid period.



## PRANAVADITYA SPINNING MILLS LIMITED

- (c) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Company and for preventing and detecting fraud and other irregularities.
- (d) that in view of the Company had been declared as sick as per provisions of Sick Industrial Companies (Special Provisions) Act, 1985 vide BIFR's Order dated 5<sup>th</sup> October, 2006, the Company has filed Draft Rehabilitation Scheme to BIFR and same has been approved on 26<sup>th</sup> June, 2007.
- (e) that having regard to above facts, accounts for the current year have been prepared on "Going Concern" basis as followed hitherto.

### CORPORATE GOVERNANCE :

The Company has taken adequate steps to ensure that the conditions of Corporate Governance as stipulated under Clause 49 and other clauses of the Listing Agreement with The Stock Exchange, Mumbai are complied with. A separate section on Corporate Governance and a Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange, form part of the Annual Report.

### DIRECTORS :

Mr. Yeshwant R. Shah and Mr. Mahendra S. Shah, Directors of the Company, retire by rotation at the 17<sup>th</sup> Annual General Meeting of the company and are not willing to be reappointed as Directors of the company.

Further Mr. Anil Kumar Jain, Mr. P. N. Shah and Mr. R. Anand, who were appointed as Additional Directors of the company and who holds office up to the date of 17<sup>th</sup> Annual General Meeting (AGM), are to be confirmed as Director of the company at the ensuing AGM.

### AUDITORS AND AUDITORS' REPORT :

The statutory auditors M/s. Vinod Vasa & Associates, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting. The Company has received a letter from M/s. Vinod Vasa & Associates to the effect that their appointment as Auditors, if made, would be within the limits under Section 224 (1B) of the Companies Act, 1956.

The notes to the accounts referred to in the Auditors Report by way of qualifications are self explanatory and therefore, do not call for any further comments.

### FIXED DEPOSITS :

Your Company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956 and the Rules made there under.

### ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE :

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, forming part of this report is as per given in Annexure II appended herewith.

### PERSONNEL :

There is no employee coming within the purview of Section 217 (2A) of the Companies (Particulars of Employees) Rules, 1975.

### INSURANCE :

All the properties of the Company have been adequately insured against fire, marine and other risks.

### ENVIRONMENT, SAFETY AND POLLUTION CONTROL :

Your Company has been taking proper care in complying with all statutory requirements relating to safety, environment and pollution control.

### APPRECIATION :

Your Directors wish to place on record their appreciation of the support and co-operation received from their Banks namely Bank of Baroda and Union Bank of India and the Government Authorities. Your Directors also commend the unstinting efforts put in by employees at all levels.

For and on behalf of the Board of Directors

Place : Mumbai  
Dated : 31<sup>st</sup> July, 2007

**HARKISHON N. UDANI**  
Chairman

**Registered Office :**  
Village Alte, Taluka Hatkanangale,  
P.B. No. 2, Dist. Kolhapur 416 109,  
Maharashtra.





## ANNEXURE -II

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 and forming part of Directors' Report.

### (I) Conservation of Energy :

#### (a) Energy Conservation Measures taken :

Energy Conservation is an ongoing process within the Company. The Company has been making continuous efforts for enhancement in capacity utilization, cost competitiveness and quality through systematic process monitoring and adherence to technological norms.

#### (b) Additional Investment and proposals, if any, being implemented for reduction of consumption of energy : NIL

#### (c) Impact of measures of (a) and (b) above for reduction of energy consumption and consequent impact of the cost of production of goods.

The above measures will help in reducing cost.

#### (d) FORM - A

(I) Power & Fuel Consumption	<u>2006-07</u>	<u>2005-06</u>
1. Electricity		
(a) Purchased Units ('000)	9019.13	8731.15
Total Amount (Rs. In lacs.)	375.67	302.63
Rate per unit	4.16	3.47
(b) Own Generation		
Through Diesel Generator-Unit ('000)	149.85	237.21
Unit per litre of Diesel Oil	3.29	3.31
Cost per unit	10.64	9.84
2. Coal	NIL	NIL
3. Furnace Oil	NIL	NIL
4. Others	NIL	NIL
 (II) Consumption per Unit of Production:		
Production of yarn (M.T.)	3426.23	3614.47
Electricity per M.T. of production	2676.11	2481.24

### (II) Technology Absorption :

#### FORM - B

#### i) Research and Development

1. Specific areas in which R & D carried out by the Company.

- R & D carried out for increasing the strength of the yarn. The efforts of the Company also directed towards improvement of manufacturing process, yarn quality and productivity.

2. Benefits derived as a result of above R & D.

- Reduction in cost of output, decrease in wastage and improvement in quality of yarn.

3. Future plan of action.

- The above activities shall continue and more efforts in this direction will be made.

4. Expenditure on R & D :

- (a) Capital

- (b) Recurring

- (c) Total

- (d) Total R & D expenditure as a percentage of total turnover

No system of separate maintenance of accounts have been developed. The expenditure is merged with various other heads of expenses.

#### ii) Technology absorption, adoption and Innovation :

1. Efforts in brief technology absorption, adoption and innovation.
2. Benefits derived as a result of above efforts e.g. output improvement, cost reduction, product development, import substitutions, etc.
3. Details of imported technology

- The plants are based on indigenous technology.

- NIL

- No technology has been imported during the last 5 years.

### (III) Foreign Exchange Earnings and Outgo :

	<u>2006-07</u> (Rs. In lacs)	<u>2005-06</u> (Rs. in lacs)
Total Earnings (F.O.B. Value)	0.00	0.00
Total Outgo	0.00	2.51



## PRANAVADITYA SPINNING MILLS LIMITED

### MANAGEMENT BUSINESS REPORT

#### 1. Overall Review:

During the year under review, the cotton prices were ruling at higher levels. The power cost was high by about 27% over last year, resulted into higher cost of production. The working was further affected due to severe liquidity problems and financial constraints. Constant attention was also being given to cost controls and reduction in expenses and quality requirements.

#### 2. Outlook for the Current Year:

The Company had been declared sick as per provisions of Companies (Special Provisions) Act, 1985 by BIFR vide its order dated 5<sup>th</sup> October, 2006. With the approval of the company's bankers, the company had submitted to BIFR a Draft Rehabilitation Scheme proposing to induct M/s. Indo Count Industries Ltd. as co-promoters to lend financial and management support to the sick unit in its revival efforts. The DRS as published by the BIFR has been sanctioned at the hearing held on 26<sup>th</sup> June, 2007. The Directors hope that with the implementation of the sanctioned scheme, the unit would get revived in due course.

#### 3. Internal Control System & It's Adequacy:

The Company has a proper and adequate system of Internal controls to ensure that assets are safeguarded

and protected against loss from unauthorized use or disposition and that transactions are authorized, recorded and reported correctly.

The internal control system is supplemented by an extensive programme of internal audits, review by management and documented policies, guidelines and procedures.

#### 4. Energy Conservation:

The Company has a continuous focus on Energy Conservation. Regular studies are conducted to analyse quantitative energy conservation patterns and variances are rigorously scrutinised.

#### 5. Human Resources & Industrial Relation:

Your Company recognizes employees satisfaction and morale as a key for sustained growth and recognizes training as an integral part of employee development. Adequate measures of the same have been carried out for the year under review.

Industrial relations have been cordial. During the year, your Company has continued with its Restructuring operations aiming at cost efficacy and viability of operations by having higher workload, rationalization and obtaining better efficiency in the working.

### AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT(S)

To The Members of  
THE PRANAVADITYA SPINNING MILLS LIMITED

We have examined the compliance of conditions of Corporate Governance by THE PRANAVADITYA SPINNING MILLS LIMITED for the year ended on 31<sup>st</sup> March, 2007 as stipulated in Clause 49 of the Listing Agreement of the Company with The Stock Exchange.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement) issued by Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For VINOD VASA & ASSOCIATES  
Chartered Accountants

(VINOD Z. VASA)

Place : Mumbai  
Date : 31<sup>st</sup> July, 2007

Partner  
M. No. 7566





## CORPORATE GOVERNANCE REPORT

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

The company continues to focus on good Corporate Governance and its primary objective is to create and adhere to a corporate culture of conscience, and consciousness, integrity, transparency, accountability for efficient and ethical conduct of business for meeting its obligation towards shareholders and other stakeholders. The company is committed to achieving the highest standards of corporate governance.

### 2. BOARD OF DIRECTORS:

The Board of Directors (Board) has an optimum combination of executive, non-executive and independent directors. **As on 31st March, 2007**, the Board comprised five members. The chairman of the Board is a non-executive director. In addition to chairman, the Board comprises three non executive and one executive director. Over two thirds of its Board consists of non-executive directors and of these the majorities are independent directors. The details are given below.

**Table 1 : Composition of the Board**

Name of Director	Whether Promoters or Non-Executive / Independent	No. of outside Directorship held	No. of Board Committees of other Companies in which a member
Shri Harkishon N Udani	Chairman, Promoter & Non Executive Director	Nil	Nil
Shri Yeshwant R Shah	Non-Executive & Independent Director	6	3
Shri Suman B Shah*	Non-Executive & Independent Director	6	Nil
Shri Mahendra S Shah	Non-Executive & Independent Director	2	Nil
Shri Ashok Halasangi	Executive Director & Technical Director	Nil	Nil

\* Since resigned effective from 24.07.2007

#### Note:

- Excludes Alternate Directorship in Companies covered under Section 25 of the Companies Act, 1956 and Private Companies, which are neither a subsidiary nor a holding Company of a Public Company.
- Excludes Committees other than Audit Committee, Shareholders' Investors Grievance Committee and Remuneration Committee and companies other than Public Limited Company.

#### Board Meetings :

The Board of Directors met 6 (Six) times during the year on **27.04.2006, 31.07.2006, 22.09.2006, 16.10.2006, 29.01.2007 & 12.03.2007.**

Annual General Meeting was held on **22<sup>nd</sup> September, 2006.**

**Table 2 :** The attendance record of the Directors of the Company in the Board meetings and the last Annual General Meeting are as follows :-

Directors	No. of Board Meetings attended	Whether attended last A.G.M
Shri Harkishon N Udani	6	Yes
Shri Yeshwant R Shah	5	No
Shri Sumanlal B Shah	4	No
Shri Mahendra S Shah	6	Yes
Shri Ashok Halasangi	4	Yes
Shri B R Nayak*	3	Yes

\* Up to 30.09.2006

### 3. AUDIT COMMITTEE:

#### A) Composition of Audit Committee

The Audit Committee comprises of the following non-executive Directors namely:-

- Shri Mahendra S. Shah - Chairman
- Shri Harkishon N. Udani
- Shri Yeshwant R. Shah

- B) The Audit Committee met **4 (Four)** times on **27.04.2006, 31.07.2006, 16.10.2006 and 29.01.2007** during the financial year 2006-07 and the attendance of the members of the Committee were as follows :-

Name of the Members	No. of Audit Committee meetings attended
Shri Mahendra S. Shah	4
Shri Harkishon N. Udani	4
Shri Yeshwant R. Shah	4

Mr. Mahendra Shah, Chairman of the Audit Committee attended the Annual General Meeting of the Company held on **22<sup>nd</sup> September, 2006.**

#### C) The Role of Audit Committee :

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.


**PRANAVADITYA SPINNING MILLS LIMITED**

- b) Recommending the appointment and removal of the statutory auditors and fixation of audit fees and also approval for payment of any other services.
- c) Reviewing with the management, the annual financial statements before submission to the Board for approval, with particular reference to :
  - Any change in accounting policies and practices.
  - Major accounting entries involving estimates based on the exercise of judgement by management.
  - Qualification in draft audit report.
  - Significant adjustments made in the financial statements arising out of audit findings.
  - Compliance with accounting standards.
  - Compliance with listing and other statutory requirements concerning financial statements.
  - Any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large.
- d) Reviewing with the management, performance of statutory and internal auditors and adequacy of internal control systems.
- e) Reviewing the adequacy of internal audit function.
- f) Discussion with internal auditors on significant findings and follow up thereon.
- g) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- h) Discussions with statutory auditors before the audit commences, about the nature and scope of audit, as well as post-audit discussion to ascertain any area of concern.
- i) Reviewing the Company's financial and risk management policies.
- j) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

**4. REMUNERATION COMMITTEE (Non-Mandatory):**
**A) Composition of the Committee:**

The remuneration Committee comprises of the following Directors namely :

- (1) Shri Yeshwant R. Shah - Chairman
- (2) Shri Mahendra S. Shah
- (3) Shri Sumanl B. Shah

B) The Remuneration Committee has been constituted w.e.f. 15<sup>th</sup> April, 2002. The Committee met 1 (one) time on 28.10.2004 during the financial year 2004-05 and all the members of the Committee attended the meeting.

**C) Role of Remuneration Committee:**

The Remuneration Committee shall have the powers to determine the Company's Policy on specific remuneration packages for Whole time Directors including pension rights and any other compensation related matters and issues within the framework of the provisions and enactment governing the same.

**D) Remuneration Policy:**

The Company has constituted a Remuneration Committee of the Board in compliance with the SEBI guidelines. The Committee is fully empowered to frame the compensation structure for the working directors and review the same from time to time based on certain performance parameters, growth in business as well as profitability and also align with the best practices prevailing in the industry.

**E) Details of Remuneration paid to all Directors:**

I) The details of payment to the Managing / Whole Time Directors for the financial year 2006-07 are given below:

Executive Directors	Salary (Rs.)	Commission (Rs.)
Mr. B. R. Nayak*	4,03,570/-	Nil
Mr. Ashok Halasangi	4,68,000/-	Nil

\* Part of the year

Notes: (a) Presently, the Company does not have a scheme for grant of Stock options either to the wholetime directors or employees.

II) The details of payment to Non-Executive Directors for the financial year 2006-07 are given below:

Non-Executive Directors	Sitting Fees (in Rs.)		Commission (in Rs.)
	B. Meeting	C. Meeting	
Shri Harkishon N. Udani	12,000/-	6,000/-	Nil
Shri Yeshwant R. Shah	10,000/-	6,000/-	Nil
Shri Suman B. Shah	8,000/-	Nil	Nil
Shri Mahendra S Shah	12,000/-	6,000/-	Nil