



PRANAWADIYA SPINNING MILLS LIMITED

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**16th
Annual Report
2005-2006**



PRANAVADITYA SPINNING MILLS LIMITED

BOARD OF DIRECTORS :

MR. HARKISHON N. UDANI	Chairman
MR. PARAG H. UDANI	Director (since resigned on 25/01/2006)
MR. YESHWANT R. SHAH	Director
MR. SUMAN B. SHAH	Director
MR. MAHENDRA S. SHAH	Director
MR. MANOJ C. DESAI	Director – Finance (since resigned on 15/11/2005)
MR. B. R. NAYAK	Director – Commercial
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.

CONTENTS

Notice	1
Directors' Report	3
Management Business Report and Corporate Governance	6
Auditors' Report	12
Balance Sheet	14
Profit and Loss Account	15
Schedules forming part of Accounts	16
Notes forming part of Accounts	22
Balance Sheet Abstract	29
Cash Flow Statement	30



NOTICE

Notice is hereby given that the **Sixteenth Annual General Meeting** of the members of **PRANAVADITYA SPINNING MILLS LTD.** will be held on **22nd September, 2006**, 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 31st March 2006 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. Mahendra S. Shah, who retires by rotation and being eligible, offers himself for re-appointment.
3. 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 :

"RESOLVED THAT Mr. Ashok G. Haiasangi, who was appointed as an 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."

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 **11th September, 2006 to 20th September, 2006**. (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: 31st July, 2006

Harkishon N. Udani
Chairman

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

**ANNEXURE - I**

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

Name of Director	Mr. Mahendra S. Shah	Mr. Ashok G. Halasangi
Date of Birth	13th February, 1941 Age : 65 years	1st Apr, 1961 Age : 45 years
Date of Appointment	22nd September, 2004	30th September, 2005
Expertise in specific functional areas	Mr.Mahendra Shah has more than 42 years of experience in Taxation & Finance. Prior to joining the company, he was General Manager : Taxation at Keshavlal Talakchand Group of Companies.	Mr. Ashok Halasangi has more than 25 years of experience in textile manufacturing and more particularly in spinning industry.
Qualification	B.Com.	D.T.T.
Directorships held in other companies	Arunodaya Mills Ltd. Kaytee Cotsynth Industries Ltd. Pranavadiya Textile P. Ltd.	None



DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Sixteenth Annual Report and the Audited Statement of Accounts of the Company for the financial year ended 31st March, 2006.

FINANCIAL RESULTS:

	For the year ended 31 st March, 2006 (Rs. In lacs)	For the year ended 31 st March, 2005 (Rs. In lacs)
Gross Sales	2919.70	3867.95
Profit before Depreciation, Interest and Tax Write Offs	152.52	250.49
Less : Interest	185.66	201.36
Depreciation	218.62	218.56
	(251.77)	(169.43)
Add : Prior year Expenditure Impairment Loss (as per AS 28)	(84.14) 0	(4.77) (544.32)
Net loss for the year before Taxation	(335.91)	(718.52)
Add : Fringe Benefit Tax	(1.79)	Nil
Net Loss after Tax	(337.70)	(718.52)
Add : Balance in Profit & Loss Account	(1363.89)	(645.37)
Balance carried to Balance Sheet	(1701.59)	(1363.89)

The turnover for the year 2005-06 was Rs. 2919.70 lacs as against Turnover of Rs. 3867.95 lacs last year. The fall in turnover was mainly due job work activities of Reliance Industries Ltd (RIL) under taken during last year. The job work earnings during year rose from Rs 73.80 lacs to Rs 141.22 lacs over last year. The RIL job work activity was discontinued from January 2006 since it was not profitable.

The reason for increase in loss was low productivity with low turnover and higher costs. The manufacturing, power and employee costs also increased during the year. Profit margins were comparatively low as 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 from April to November, the cotton prices were ruling at higher levels and there was reasonably good demand of yarn. With the arrival of the new crop from November onwards, the cotton prices have shown downward trend. The yarn prices also came down in parity due to lack of sustainable demand by power loom and garment producers. Due to severe liquidity problems and financial constraints, the working was affected and the Company put up to Banks, Corporate Debt Restructuring Scheme for their consideration and the matter is being persued.

During the year, large number of imported power looms have been put up to cater to the export demand and the Company has started supplies to this segment of the power loom industry by changing product mix and quality. Constant attention is also being given to cost controls and reduction in expenses and quality requirements.

The Company's products of cotton yarn are well accepted by the weavers and knitters in the market and demand from regular customers for their requirements was satisfactory.

FUTURE OUTLOOK :

Textiles Industry continues to receive encouragement and assistance from the Government for sustaining and generating maximum employment outside the agricultural sector. Due to good monsoon, bumper cotton crop is expected and outlooks for export of yarn, textiles and garments are promising. Government has set target of 50 Billion US\$ (present level 18 Billion US\$) to be achieved by the year 2010 with bumper crop and availability of cotton at reasonable prices, future outlook is therefore considered promising and positive.

The company has become sick as per the provisions of Companies (Special Provisions) Act, 1985 (SICA). As per requirement of mandatory provisions of laws the company has filed Reference Application to the Board for Industrial and Financial Reconstruction (BIFR) vide its application dated 15.10.2005, which is registered as Case No.157/2005. Your company is confident that its Rehabilitation package will be accepted by BIFR. The Company is seriously looking for avenues available to upgrade its plant and machinery.

DIRECTORS' RESPONSIBILITY STATEMENT :

In compliance of section 217(2AA) of the Companies Act, 1956 your Directors confirm :

- that in preparation of the Annual Accounts, the applicable standards have been materially followed subject to Note



PRANAVADITYA SPINNING MILLS LIMITED

nos. 1(i) read with note no 6 , note no 3(a), note no 4 , and note no 10 of Schedule 19 to the Accounts .

- (b) 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.
- (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 the Company has become sick as per provisions of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA), and as such the company has made reference to the Board for Industrial and Financial Reconstruction (BIFR) registered as case no 157/2005.
- (e) that having regard to above facts, accounts for the current year have been prepared on "Going Concern" basis as followed hitherto.
- (f) that 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.

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. Mahendra S.Shah, Director of the Company, retire by rotation at the 16th Annual General Meeting of the company and being eligible, offer him self for re-appointment. Further Mr. Ashok G. Halasangi, who was appointed as Additional Director of the company and who holds office up to the date of 16th Annual General Meeting (AGM), is 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.

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 is as per Attached **Annexure – II** and forms part of this Report.

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 : 31st July, 2006

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	2005-06	2004-05
1. Electricity		
(a) Purchased Units ('000)	8731.15	9146.77
Total Amount (Rs. In lacs.)	302.63	303.01
Rate per unit	3.47	3.31
(b) Own Generation		
Through Diesel Generator-Unit ('000)	237.21	350.49
Unit per litre of Diesel Oil	3.31	3.44
Cost per unit	9.84	8.30
2. Coal	NIL	NIL
3. Furnace Oil	NIL	NIL
4. Others	NIL	NIL
(II) Consumption per Unit of Production:		
Production of yarn (M.T.)	3614.47	4136.34
Electricity per M.T. of production	2481.24	2296.05

(II) Technology Absorption :

FORM - B

i) Research and Development

- | | |
|---|--|
| <ol style="list-style-type: none"> 1. Specific areas in which R & D carried out by the Company. 2. Benefits derived as a result of above R & D. 3. Future plan of action. 4. Expenditure on R & D : <ol style="list-style-type: none"> (a) Capital (b) Recurring (c) Total (d) Total R & D expenditure as a percentage of total turnover | <ul style="list-style-type: none"> - 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. - Reduction in cost of output, decrease in wastage and improvement in quality of yarn. - The above activities shall continue and more efforts in this direction will be made. |
|---|--|

} 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 :

- | | |
|---|--|
| <ol style="list-style-type: none"> 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 | <ul style="list-style-type: none"> - The plants are based on indigenous technology. - .NIL - No technology has been imported during the last 5 years. |
|---|--|

(III) Foreign Exchange Earnings and Outgo :

	2005-06 (Rs. In lacs)	2004-05 (Rs. in lacs)
Total Earnings (F.O.B. Value)	0.00	0.00
Total Outgo	2.51	52.54



MANAGEMENT BUSINESS REPORT

1. Overall Review:

During the year under review from April to November, the cotton prices were ruling at higher levels and there was reasonably good demand of yarn. With the arrival of the new crop from November onwards, the cotton prices have shown downward trend. The yarn prices also came down in parity due to lack of sustainable demand by power loom and garment producers. Due to severe liquidity problems and financial constraints, the working was affected and the Company put up to Banks, Corporate Debt Restructuring Scheme for their consideration and the matter as being persued.

During the year, large number of imported power looms have been put up to cater to the export demand and the Company has started supplies to this segment of the power loom industry by changing product mix and quality. Constant attention is also being given to cost controls and reduction in expenses and quality requirements.

2. Outlook for the Current Year:

Textiles Industry continues to receive encouragement and assistance from the Government for sustaining and generating maximum employment outside the agricultural sector. Due to good monsoon, bumper cotton crop is expected and outlooks for export of yarn, textiles and garments are promising. Government has set target of 50 Billion US\$ (present level 18 Billion US\$) to be achieved by the year 2010 with bumper crop and availability of cotton at reasonable prices, future outlook is therefore considered promising and positive.

The company has become sick as per the provisions of Companies (Special Provisions) Act, 1985 (SICA). As per requirement of mandatory provisions of laws the company has filed Reference Application to the Board

for Industrial and Financial Reconstruction (BIFR) vide its application dated 15.10.2005, which is registered as Case No.157/2005. Your company is sure that its Rehabilitation package will be accepted by BIFR. The Company is seriously looking for avenues available to upgrade its plant and machinery.

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 analysis quantitative energy conservation patterns and variances are rigorously analysed.

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 31st March, 2006 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)
Partner
M. No. 7566

Place : Mumbai
Date : 31st July, 2006



CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Philosophy of Pranavadiya Spinning Mills Limited (PSML) on corporate governance envisages the attainment of the highest levels of transparency, accountability and equity in all facets of its operations and all interactions with its stakeholders, including the shareholders, employees, the government and the lenders. PSML is committed to achieving the highest standards of corporate governance. PSML believes that all its operations and action must serve the underlying goal of enhancing overall shareholders value over a sustained period of time.

2. BOARD OF DIRECTORS:

The Board consisted of **6 (Six)** Directors as on **March 31, 2006**. The Board is headed by the Non-Executive Chairman, **Shri Harkishon N. Udani** and is composed of persons with considerable professional experience in varied fields and comprises a majority of Non-Executives Directors. Over two thirds of its Board consists of Non-Executive Directors and of these the majorities are independent Directors. The details are given below:

Directors	Category	No. of outside Directorship held	No. of Board Committees of other Companies in which a member
Shri Harkishon N Udani	Chairman, Promoter, Non Executive	3	Nil
Shri Yeshwant R Shah	Non-Executive & Independent	8	7
Shri Suman B Shah	Non-Executive & Independent	9	Nil
Shri Mahendra S Shah	Non-Executive & Independent	3	Nil
Shri Ashok Halasangi	Executive Director : Technical	Nil	Nil
Shri B R Nayak	Executive Director : Commercial	Nil	Nil

Note:

a) 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.

b) Excludes Committees other than Audit Committee Shareholders' Investors Grievance Committee and Remuneration Committee and companies other than Public Limited Company.

The attendance of the Directors of the Company at the Board Meetings and Annual General Meeting are as follows:-

Directors	No. of Board Meetings attended	Whether attended last A.G.M
Shri Harkishon N Udani	7	Yes
Shri Yeshwant R Shah	5	No
Shri Suman B Shah	6	No
Shri Parag H Udani*	5	Yes
Shri Mahendra S Shah	7	Yes
Shri Manoj C Desai**	5	Yes
Shri Ashok Halasangi	4	Yes
Shri B R Nayak	4	Yes

* Up to 25.01.2006

** Up to 15.11.2005

The Board of Directors met **7 (Seven)** times during the year on **29.04.2005, 29.07.2005, 18.08.2005, 10.10.2005, 26.10.2005, 25.01.2006 and 22.02.2006**.

c) Annual General Meeting was held on **29th September, 2005**.

3. AUDIT COMMITTEE:

A) Terms of Reference

- Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
 - Any change in accounting policies and practices
 - Major accounting entries based on exercise of judgment by Management
 - Qualification in draft audit report
 - Significant adjustments arising out of audit
 - Compliance with accounting standards
 - Compliance with Stock Exchange and legal 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 interest of Company at large.



PRANAVADITYA SPINNING MILLS LIMITED

- d) Reviewing with the management, external and internal auditors, and the 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.

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.

- g) Discussions with external auditors before the audit commence, nature and scope of audit, as well as to have post-audit discussion to ascertain any area of concern.
- h) Reviewing the Company's financial and risk management policies.
- i) 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.

B) Composition of Audit Committee

The Audit Committee comprises of the following Non-Executive Directors namely:

- 1) Shri Mahendra S Shah - Chairman
- 2) Shri Harkishon N Udani
- 3) Shri Yeshwant R Shah

- C) The Committee met 5 (Five) times on 29.04.2005, 29.07.2005, 18.08.2005, 26.10.2005 and 25.01.2006 during the financial year 2005-06 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	5
Shri Harkishon N. Udani	5
Shri Yeshwant R. Shah	5

Shri Mahendra Shah, Chairman of the Audit Committee attended the 15th Annual General Meeting of the Company held on 29th September 2005.

4. REMUNERATION COMMITTEE (Non-Mandatory):

A) Terms of Reference

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.

B) 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 Sumanlal B. Shah

- C) The Remuneration Committee has been constituted w.e.f. 15th 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.

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 Whole time Directors for the financial year 2005-06 are given below:

Executive Directors	Salary (Rs.)	Commission (Rs.)
Shri B. R. Nayak	2,59,140/-	Nil
Shri Manoj C. Desai*	3,33,225/-	Nil
Shri Ashok Halasangi	3,48,000/-	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 2005-2006 are given below:

Non-Executive Directors	Sitting Fees (in Rs.)		Commission (in Rs.)
	B. Meeting	C. Meeting	
Shri Harkishon N. Udani	14,000/-	6,000/-	Nil
Shri Yeshwant R. Shah	10,000/-	3,000/-	Nil
Shri Suman B. Shah	10,000/-	Nil	Nil
Shri Mahendra S Shah	14,000/-	6,000/-	Nil
Shri Parag H. Udani	8,000/-	1,500/-	Nil