



RAGHUVIR SYNTHETICS LIMITED

NR. GUJARAT BOTTLING, RAKHIAL ROAD,
RAKHIAL, AHMEDABAD-380 023. (INDIA)

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24th
Annual Report
2005-2006

**Board of Directors**

Shri Raghuvirprasad R. Agarwal
 Shri Sunil R. Agarwal
 Shri Kamlesh R. Agarwal
 Shri Girish R. Agarwal
 Shri Mangesh H. Agarwal
 Shri Sushil H. Agarwal

Chairman
 Managing Director
 Director
 Director
 Director
 Director

AUDITORS

M/s. G. K. Choksi & Co.
 Ahmedabad.

INTERNAL AUDITORS

M/s. Ashok K. Bhatt & Co.
 Ahmedabad.

BANKERS

State Bank of India

REGISTERED OFFICE & MILLS

Rakhial Road, Rakhial,
 Ahmedabad-380 023. (Gujarat)

WIND FARM PROJECT

Village - Lambha,
 Taluka - Kalyanpur,
 Dist. - Jamnagar (Gujarat)

ANNUAL REPORT 2005-2006**NOTICE**

NOTICE is hereby given that the 24th Annual General Meeting of the members of Raghuvir Synthetics Limited will be held on Friday, 29th Day of September, 2006, at 4.00 p.m., at Kashiram Agarwal Bhavan, University Road, Ahmedabad for transacting the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended on 31st March, 2006, Balance Sheet as on that date and Auditors' and Directors' report thereon.
2. To appoint Director in place of Shri Raghuvirprasad Agarwal who retire by rotation and being eligible for re-appointment offers himself for re-appointment
3. To appoint Director in place of Shri Mangesh Agarwal who retire by rotation and being eligible for re-appointment offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

ORDER OF THE BOARD OF DIRECTORS

Place : Ahmedabad

Date : 01.09.2006

RAGHUVIRPRASAD R. AGARWAL
CHAIRMAN

NOTES :

- 1) MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND PROXY NEED NOT BE A MEMBER.
- 2) THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOKS OF THE COMPANY WILL REMAIN CLOSED FROM TUESDAY, THE 19TH DAY OF SEPTEMBER, 2006 TO FRIDAY THE 29TH DAY OF SEPTEMBER, 2006 (BOTH DAYS INCLUSIVE).
- 3) THE MEMBERS ARE REQUESTED TO NOTIFY IMMEDIATELY THE CHANGE OF ADDRESS IF ANY, TO THE COMPANY.



DIRECTORS' REPORT

TO,
THE MEMBERS,
RAGHUVIR SYNTHETICS LIMITED
AHMEDABAD.

Your Directors are pleased to present the 24th Annual Report of your Company together with the Audited Statement of accounts for the year ended on 31st, March, 2006.

FINANCIAL RESULTS :

	(RS. IN LACS.)	
	2005-06	2004-05
Profit before Interest,		
Depreciation and Tax	477.83	299.16
Interest	101.19	44.95
Depreciation	257.39	178.09
Income Tax		
Current	9.05	5.74
Deferred	41.69	19.13
Fringe Benefit Tax	1.09	—
Profit after tax	67.42	51.25
Balance brought forward		
from last year	207.62	156.37
Balance Carried Forward	<u>275.04</u>	<u>207.62</u>

DIVIDEND

In view of better utilisation of funds in the business development of the Company, your directors think it better to plough back entire profit.

PERFORMANCE :

During the period under review the Company has earned Profit of Rs. 67.42 Lacs compared to profit of Rs. 51.25 lacs during the previous year. The performance of the Company is quite satisfactory. The Company expects to perform better in the current year.

DIRECTORS :

Pursuant to provisions of Section 256 of the Companies Act, 1956 Shri Raghuvirprasad

Agarwal and Shri Mangesh Agarwal retire by rotation and being eligible offers themselves for re-appointment.

PARTICULARS OF EMPLOYEES

No employee is drawing remuneration more than the specified limit prescribed u/s.217(2A) of the Companies Act, 1956, (Particulars of Employees) Rules, 1975. Hence, the information required in terms of Section 217(2A) of the Companies Act, 1956 (Particulars of Employees) Rules, 1975 is not applicable to us.

AUDITORS :

The M/s. G.K. Choksi & Co., Chartered Accountant, retiring Auditors, Ahmedabad are eligible for re-appointment and offer themselves for re-appointment. The Auditors have furnished a certificate to the effect that if reappointed, their appointment shall be within the limits prescribed under Section 224 (1-B) of the Companies Act, 1956.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION FOREIGN EXCHANGE EARNING AND OUTGO :

Conservation of energy, technology absorption and Foreign Exchange Earning and outgo form part of Directors' Report.

PUBLIC DEPOSIT :

During the year under review your Company has not accepted any deposits from the public.

DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to Section 217 (2AA) of the Companies Act, 1956, your Directors state that

- In the presentation of Annual Accounts, the applicable accounting standard had been followed along with proper explanation relating to material departure.
- The Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of financial year and the profit or loss of the Company for the period.
- The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for preventing and detecting fraud and other irregularities.
- The Directors had prepared the annual accounts on a going concern basis.
- As per information furnished to us, none of the directors of the company is disqualified from being appointed as a director under clause (g) of sub-section (1) of section 274 of the companies act, 1956,
- The promoters of the Company intend to sell their substantial shareholding of the Company.

CORPORATE GOVERNANCE :

The Corporate Governance report and Auditors' certificate in respect thereof form part to this report.

MANAGEMENT DISCUSSION AND ANALYSIS:**(a) Industry Structure and Development :**

Indian Textile Sector constitute adds about 14% to the industrial production and about 4% to the GDP. Textile Sector is the largest employer after agriculture and its importance in India's economy for its contribution to Industrial production and export earnings. The contribution of this industry to the gross export earnings of the Country is 21%. India's competitiveness in the business is derived from it's long term edge as the lowest cost grower of cotton in the world as against Europe and U.S.A. among the highest cost procedure , the regions of the export of the company's product.

Indian Textile industry is extremely complex and varied with hand-spun and hand woven sector at one end and the capital intensive sophisticated mill sector at the other, with decentralised power loom and knitting sectors coming in between and this complex and varied nature of the industry has contributed to the overall performance of the entire sector satisfying the demand of the varying classes of the consumers both within the country and overseas. Phasing out of the Multi Fibre Arrangement(MFA) from 2005 and removal of qualitative Restrictions and dismantling of tariff barriers has resulted in new opportunities emerging for Indian textile industry.

Currently, Indian Textile Industry is showing remarkable resilience and has grown considerably in terms of installed spindleage, yarn production and output of fabrics and garments. Further, Vision 2010 for textiles formulated by Government of



India aims to increase India's share in world's textile trade from around 3.30% (around USD 13 billion) in 2003 to 8% by achieving export turnover of USD 50 billion by 2010.

In such a scenario, the industry trend is like to move to enhanced economies of scale, product integrated chain, higher productivity, cost competitiveness, shrinking delivery, schedules and aggressive marketing.

(b) Review of Operations :

During the year 2005-06 the Company registered net sales (including job-work charges) of Rs.3250.80 Lacs compared to Rs.2968.96 Lacs during the previous year

The company's prime goal is to enhance shareholder wealth by applying funds in the advanced technology at the most appropriate time. The Company is also making capital expenditure for capacity expansion and modernization. The company's gross block stood at Rs. 3546.16 lacs at March 31, 2006. The Company intends to continuously invest in production facilities to derive technological advancements, enhance capacities and reduced cost.

(c) Opportunities and Threats :

India presently accounts for 3.30% of the global trade in Textiles and the potential exists to enhance it to double digit figure in the short-to-medium term. Indian companies are trying to take maximum benefit out of quota removal for export and currently there is more preference for Indian products in US and Europe.

Presently, Indian Textile industry are making more investment in machineries, men and management to improve quality standards. Emerging regional trade agreement and expansions in the product range and value addition and opening up of other international markets such as Japan, Australia have opened up huge opportunity across the textile sector.

(d) Risk and Concerns :

Since no business is risk free, the company as well the whole Indian textile industry faces the competition from the growing market shares of China, Turkey and Pakistan. The Company and Industry also faces competition is from fellow manufacturer from other countries like China, Turkey and Pakistan. The quota free export and Pricing pressure also poses threat to the business of the Company. However, the company is optimistic that its competitive cost structure, contemporary technology and proximate customer relation will enable it to enhance in its chosen market.

(e) Outlook :

India is one of the largest producer of natural and manmade fibbers. Phasing out of the Multi Fibre Arrangement (MFA) from 2005 and removal of qualitative Restrictions and dismantling of tariff barriers coupled with the Company's ability of utilisation of raw material and skilled labour at cheap cost provide competitive advantage to the Company. In such a scenario, the outlook for the company still remains positive, given the increasing recognition of India as a preferred global manufacturing hub. In view of this, the company is making Capital

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expenditure in capacity expansion and up-gradation and thereby maximizing shareholders' wealth.

(f) Internal Control system :

The company has proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition and that transactions are authorised, recorded and reported correctly.

The company has effective systems in place for achieving efficiency in operations, optimum and effective utilization of resources, monitoring thereof and compliance with applicable laws.

(g) Human Resources :

The company firmly believes that intellectual capital and human resources is the backbone of the company's success.

The company is committed to provide development and training opportunities to employees to equip them with the best skill which enable them to adapt to contemporary technological advancements. Industrial relation during the year continues to be harmonious.

ACKNOWLEDGMENT :

Your Directors take this opportunity to express their grateful appreciation for the willing assistance and co-operation received from the bankers, shareholders and the employees of the Company.

FOR AND ON BEHALF OF THE BOARD

RAGHUVIRPRASAD R. AGARWAL

Chairman

Place : Ahmedabad

Date : 01.09.2006



ANNEXURE TO DIRECTORS' REPORT

STATEMENT PURSUANT TO SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 AND THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2006.

A. CONSERVATION OF ENERGY

The Company endeavours to conserve energy wherever possible.

Power and Fuel Consumption:

	2005-2006	2004-2005
1. Electricity :		
Purchased Units (KHW '000)	4554	3636
Total Cost (Rs. In Lacs)	194.61	153.78
Rate per Unit (Rupees)	4.27	4.23
Consumption [in Units (per unit of production)]	0.192	0.168
2. Coal and Wooden Dust :		
Quantity Consumed (M.T.)	12948	14464
Total Cost (Rs. In Lacs)	265.95	206.51
Rate per M.T. (Rupees)	2054.03	1427.25
Consumption [in Kgs. (per unit of production)]	0.546	0.669

B. TECHNOLOGY ABSORPTION:

The Company does not use any imported technology in its manufacturing operations.

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C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

(i) Total Foreign Exchange Used (Rupees)	3,53,31,056	3,95,57,794
(ii) Total Foreign Exchange Earned		
(on F.O.B. Basis) (Rupees)	—	—

REPORT ON CORPORATE GOVERNANCE

[Pursuant to clause 49 of the listing agreement]

Corporate Governance

The principal characteristics of corporate governance are Transparency, Independence, Accountability, Responsibility, Fairness, and Social Responsibility. Corporate Governance pertains to system of blending law, regulations and voluntary practices, which enable the company to attract financial and human capital, perform efficiently and thereby perpetuate it into generating long-term economic value for its shareholders, while respecting interests of other stakeholders and the society as a whole.

It aims to assure the shareholders that it is "Your Company" and it belongs to you. . The Chairman and Board of Directors are your fiduciaries and trustee pushing the business forward in maximizing long term value for its shareholders.

Company's Philosophy on Corporate Governance

The Company's philosophy on corporate governance lays strong emphasis on transparency, accountability and integrity. The company has implemented all the mandatory requirement of clause 49 of Listing Agreement with spirit of corporate governance and looking forward positively to follows non mandatory provisions. The Company believes that all its operations and actions must serve the underlying goal of enhancing overall shareholder value, over sustained period of time.

Board of Directors

At present the Board of Directors consists of Six Directors.

1. Composition and Category of Directors is as follows

Name of the Directors	Category of Directorship	No. of Directorship in other Companies	No. of Board Committees of which member/ Chairman
Mr. Raghuvirprasad R. Agarwal	Executive Non-independent	3	NIL
Mr. Kamlesh R. Agarwal	Non Executive Non-independent	3	2
Mr. Sunil R. Agarwal	Executive Non-independent	3	NIL
Mr. Girish R. Agarwal	Non-executive Non-independent	3	NIL
Mr. Mangesh H. Agarwal	Non-executive Independent	NIL	2
Mr. Sushil H. Agarwal	Non-executive Independent	NIL	2

Attendance of each director at the Board Meeting, Last Annual General Meeting :

Seven Board meetings were held during the financial year 2005-06. The Composition of Directors and the attendance at the Board meeting during the year 2005-06 and Last Annual General meeting :

Name of Director	Category of Directorship	No. of Board meeting held	No. of Board meeting attended	Attendance at last AGM
Mr. Raghuvirprasad R. Agarwal	Chairman	7	7	Y
Mr. Kamlesh R. Agarwal	Director	7	7	Y
Mr. Sunil R. Agarwal	Managing Director	7	7	Y
Mr. Girish R. Agarwal	Director	7	7	Y
Mr. Mangesh H. Agarwal	Director	7	7	Y
Mr. Sushil H. Agarwal	Director	7	7	Y



Number of Board meetings held during the financial year and dates of Board meetings :

Board Meeting	Date	Board Meeting	Date
1	01/06/05	6	19/01/06
2	18/06/05	7	31/03/06
3	30/08/05		
4	30/09/05		
5	31/12/05		

AUDIT COMMITTEE :

The Current Audit Committee, comprising three Directors all being Non- Executive Directors and most of them have financial and accounting knowledge. The constitution of Audit committee also meets with the requirements under section 292A of the Companies Act, 1956. Members are regularly present at the meetings.

The term of reference stipulated by the board to the Audit Committee are, as contained in clause 49 of the Listing agreement and Section 292 A of the Companies Act, 1956, as follows :

- a. 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.
- b. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- c. Reviewing with management the annual financial statements before submission to the board, focusing primarily on; (a) Any changes in accounting policies and practices, (b) Major accounting entries based on exercise of judgment by management, (c) Qualifications in draft audit report (d) Significant adjustments arising out of audit (e) The going concern assumption, (f) Compliance with accounting standards, (g) Compliance with stock exchange and legal requirements concerning financial statements, (h) Any related party transactions.
- d. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- e. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- f. Discussion with internal auditors any significant findings and follow up there on.
- 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. Discussion with external auditors before the audit commences about 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.