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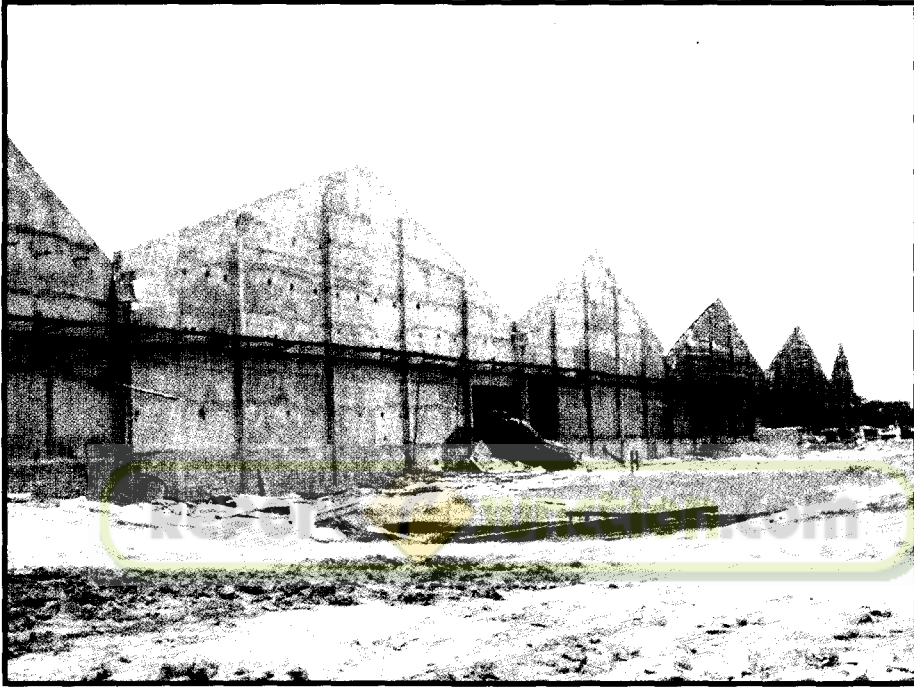
Spinning for the World with an Indian Soul



**2nd
Annual Report
2005-2006**



RAJVIR INDUSTRIES LIMITED



Snap shot of Compact Yarn facility at
Gopanpalli (vil), Tandur (The), Rangareddy (dt), Andhra Pradesh



Rajvir Industries Limited

BOARD OF DIRECTORS

Sri U.K Agarwal	Managing Director
Sri Ritesh Kumar Agarwal	Executive Director
Sri R.K.Agarwal	Director
Sri Vijay Kumar Gupta	Director
Sri S.N.Daga	Director

GENERAL MANAGER(FIN) & COMPANY SECRETARY

Sri Raman Subbaiah

AUDITORS

M/s S.Daga & Co
Hyderabad

BANKERS

Industrial Development Bank of India
State Bank of India
State Bank of Hyderabad
State Bank of Mysore
State Bank of Bikaner & Jaipur

REGISTERED OFFICE

1st Floor, Surya Towers
105, Sardar Patel Road
Secunderabad 500003

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FACTORY OFFICES

1. Pillallamarri Road
Mahabub Nagar.
Andhra Pradesh-509002
2. Sy. No. 17 a & 20b,
Gopanpalli Village, Gouthapur Grampanchayat
Tandur Tehsil, R R Dist
Andhra Pradesh

DYEING PLANT

Edira Village
Mahabubnagar Dist.
Andhra Pradesh-5090 02

SALES DEPOT

TIRPUR - 641 604.



Rajvir Industries Limited

NOTICE

NOTICE is hereby given that the Second Annual General Meeting of the Members of Rajvir Industries Limited will be held on Wednesday the 27th September at 3.00 P M at FAPCCI premises, 11-6-841, Red Hills, Hyderabad-500004 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March 2006, and the Balance sheet as on that date and the reports of the Directors and Auditors thereon.
2. To declare a dividend on the equity shares of the company for the period ended 31st March 2006
3. To appoint a director in place of Sri. U K Agarwal, who retires by rotation and being eligible, offers himself for re-appointment
4. To appoint a director in place of Sri Ravinder Kumar Agarwal, who retires by rotation and being eligible, offers himself for re-appointment
5. To appoint M/s. S.Daga & Co, chartered Accountants as Auditors of the company to hold the office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

6. TO CONSIDER, AND IF THOUGHT FIT, TO PASS THE FOLLOWING RESOLUTION WITH OR WITHOUT MODIFICATION (S) AS A SPECIAL RESOLUTION:

"RESOLVED THAT in supercession of the resolution passed by the members in the General Meeting held on 25th April 2005 and pursuant to the provisions of sections 198, 269, 309, 314 and other applicable provisions, if any, of the companies Act, 1956 read with schedule XIII thereof as amended upto date and consent of the Company be and is hereby accorded for revision of the remuneration to Sri U K Agarwal, Managing Director for a period of three years i.e. from 1.04.2006 to 31.03.2009 as under

1. SALARY: Rs. 2,88,000/- per month

2. COMMISSION

At the rate of 1% of the Net Profit of the Company or 50% of annual salary whichever is lower.

3. PERQUISITES



Rajvir Industries Limited

In addition to the salary, the following perquisites shall be allowed to the Managing Director and be within the overall ceilings of the provisions prescribed under Schedule XIII of the Companies Act, 1956, as amended from time to time.

CATEGORY - A

(i) HOUSING :

Rent free furnished residential accommodation with all facilities and amenities including such services as gas, electricity, water, etc., or HRA to the extent of 30% of the salary.

(ii) MEDICAL REIMBURSEMENT :

Expenses incurred for self and his family subject to a ceiling of one month's salary per year or three months' salary in a period of three years.

(iii) LEAVE TRAVEL CONCESSION :

For self and family once in a year incurred in accordance with the Rules of the Company.

(iv) CLUB FEES :

Fees of clubs subject to a maximum of two clubs, admission and life membership fees not being allowed.

(v) PERSONAL ACCIDENT INSURANCE:

Of an amount the premium of which shall not exceed Rs. 4,000/- per annum.

CATEGORY - B

i) Contributions by the Company to Provident Fund, Superannuation Fund or Annuity Fund as per the rules of the Company.

ii) Payment of gratuity subject to an amount equal to half month's salary for each completed year of service.

CATEGORY - C

i) The Company shall provide a Car with driver and a telephone at the residence.

Car for use on Company's business and telephone and other communication facilities at residence will not be considered as perquisites.

In the absence of or inadequacy of profits in any year Sri U.K. Agarwal be paid the above remuneration as minimum remuneration subject to provisions of Part II of Schedule XIII of the Companies Act, 1956."

7. TO CONSIDER, AND IF THOUGHT FIT, TO PASS THE FOLLOWING RESOLUTION WITH OR WITHOUT MODIFICATION (S) AS A SPECIAL RESOLUTION:



Rajvir Industries Limited

"RESOLVED that in supercession of the resolution passed by the members in the General Meeting held on 25th April 2005 and pursuant to the provisions of sections 198, 269, 309, 314 and other applicable provisions, if any, of the companies Act, 1956 read with schedule XIII thereof as amended upto date and consent of the Company be and is hereby accorded for revision of the remuneration to Sri Ritesh Kumar Agarwal, Executive Director for a period of three years i.e. from 1.04.2006 to 31.03.2009 as under

i) SALARY: Rs. 240000/- per month

ii) COMMISSION

At the rate of 1% of the Net Profit of the Company or 50% of annual salary whichever is lower.

iii) PERQUISITES

In addition to the salary, the following perquisites shall be allowed to the Executive Director and be within the overall ceilings of the provisions prescribed under Schedule XIII of the Companies Act, 1956, as amended from time to time.

CATEGORY - A

(i) HOUSING:

Rent free furnished residential accommodation with all facilities and amenities including such services as gas, electricity, water, etc., or HRA to the extent of 30% of the salary.

(ii) MEDICAL REIMBURSEMENT:

Expenses incurred for self and his family subject to a ceiling of one month's salary per year or three months' salary in a period of three years.

(iii) LEAVE TRAVEL CONCESSION:

For self and family once in a year incurred in accordance with the Rules of the Company.

(iv) CLUB FEES:

Fees of clubs subject to a maximum of two clubs, admission and life membership fees not being allowed.

(v) PERSONAL ACCIDENT INSURANCE:

Of an amount the premium of which shall not exceed Rs.4,000/- per annum.

CATEGORY - B

(1) Contributions by the Company to Provident Fund, Superannuation Fund or Annuity Fund as per the rules of the Company.

(2) Payment of gratuity subject to an amount equal to half month's salary for each completed year of service.



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CATEGORY - C

- i) The Company shall provide a Car with driver and a telephone at the residence.
Car for use on Company's business and telephone and other communication facilities at residence will not be considered as perquisites.

In the absence of or inadequacy of profits in any year Sri Ritesh.K.Agarwal be paid the above remuneration as minimum remuneration subject to provisions of Part II of Schedule XIII of the Companies Act, 1956."

8. TO CONSIDER AND IF THOUGHT FIT, TO PASS THE FOLLOWING RESOLUTION WITH OR WITHOUT MODIFICATION (S) AS AN ORDINARY RESOLUTION

"RESOLVED THAT THE company do hereby approve in terms of Section 293 (1)(a) and other applicable provisions if any, of the Companies Act, 1956 the mortgaging and/or charging by the Board of Directors of the Company of all movable and immovable properties of the Company wheresoever situate, present and future, of the whole of the undertaking of the company together with the power to takeover the management of the business and concern of the company in certain events to or in favor of Industrial Development Bank of India (IDBI)/ State Bank of India (SBI) as regards the Mahabubnagar Unit including Dyeing plant at village Edira and State Bank of Hyderabad/State Bank of Bikaner and Jaipur/UTI Bank Ltd., as regards the Tandur unit including the items of Machinery specifically financed by said institutions located at the Mahabubnagar Unit including the Dyeing Plant at village Edira, to secure the Rupee Term Loans / Non Convertible Debentures privately placed / Foreign Currency Loans sanctioned by them on FIRST CHARGE BASIS with first charge holders of Mahabubnagar Unit holding Second charge on Tandur Unit and Vice Versa and on

SECOND CHARGE BASIS TO:

- a) State Bank of India (SBI) of its additional working capital facilities aggregating Rs.2910 lakhs;
- b) State Bank of Hyderabad (SBH) of its additional working capital facilities aggregating Rs.970 Lakhs;
- c) State Bank of Mysore (SBM) of its additional working capital facilities aggregating Rs.970 lakhs;

With interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment or on redemption, cost, charges, expenses and other monies, payable by the Company vide its loan agreement(s) entered into by the Company.

Provided that the above mortgage in favor of SBI/SBH/SBM shall rank second and subservient to the charges created / to be created by the Company in favour of IDBI/ SBI/SBH/SBBJ/UTI to secure the term loans sanctioned by them/Debentures privately placed with them.

"RESOLVED FURTHER THAT the Company does hereby authorize the Board to take all necessary steps for the execution of the documents for the creation of the aforesaid mortgage/charge."



Rajvir Industries Limited

9. TO CONSIDER AND IF THOUGHT FIT, TO PASS THE FOLLOWING RESOLUTION WITH OR WITHOUT MODIFICATION(S) AS AN ORDINARY RESOLUTION:

"RESOLVED that in supercession of the resolution passed in the General meeting held on 25.04.2005 that the consent of the company be and is hereby accorded in terms of section 293(1)(d) and other applicable provisions, if any, of the companies Act, 1956 to the Board of Directors of the company to raise or borrow from time to time from Companies Bankers or Financial Institutions or from else where on such terms and conditions as to repayment or interest or otherwise as it thinks fit such sums as may be necessary for the purpose of the company's business in excess of the paid up capital and free reserves of the company that is to say the reserves not set a part for any specific purpose, provided however that the total amount of such borrowings together with the monies already borrowed (apart from temporary loans obtained from the company's bankers in the ordinary course of Business) in aggregate shall not exceed at any time a sum of Rs.300 Crores."

BY ORDER OF BOARD
for RAJVIR INDUSTRIES LIMITED

Place : Secunderabad
Date : August 31, 2006

(RAMAN SUBBAIAH)
GENERAL MANAGER(Fin) & COMPANY SECRETARY

NOTES

1. A member entitled to attend and vote is entitled to appoint a proxy to attend on a poll to vote instead of himself and such proxy need not be a member.
2. The instrument appointing a proxy should however be deposited at the Registered Office of the company not less than 48 hours before the meeting.
3. The Register of members and share transfer books will remain closed from 24-09-2006 to 27-09-2006 (both days inclusive) for payment of dividend if approved and for the purpose of Annual General Meeting.
The shares of the Company are listed in the stock Exchanges of Hyderabad, Bombay and National Stock Exchange of India and the listing fees is paid up to the 2006-2007
Members are requested to notify immediately any change of address to their depository participants in respect of their holdings in electronic form and to M/s. Sathguru Management and Consultants (P) Ltd Unit: Rajvir Industries Limited in respect of their physical folios if any.
4. Members are requested to bring their copy of annual report with them at the time of attending the Annual General Meeting.
5. Members desiring any further information as regards the accounts or operations of the company are requested to write to the company so as to reach at least one week prior to the date of meeting for consideration of the management to deal at the meeting.
6. The recent amendment to the Companies Act 1956 has provided for the facility of nomination to the holders of the shares/debentures/Fixed deposits in a company. Accordingly members can avail the facility of nomination in respect of their shares held either singly or jointly. Members desiring to avail this facility are requested to fill up the prescribed nomination form and send the same to the Registered Office of the Company.



Rajvir Industries Limited

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

Item Nos.6

Sri U.K. Agarwal was appointed as Managing Director in the Extra Ordinary General Meeting held on 25th April 2005 for a period of 5 years with effect from 1st April 2005 on a remuneration of Rs. 150000/- plus all applicable perquisites. The activities and responsibilities of the Managing Director have increased on account of continuous growth. Considering the increase in size and operations of the Company, the Remunerations Committee in its meeting held on 31st August 2006 and the Board in their Meeting held on 31st August 2006 passed a resolution approving and recommending the same to the members for their approval. The terms of increase in remuneration are set out in the Resolution. The Board of Directors recommends the same for the approval of members.

Sri. U.K. Agarwal, Sri. Ritesh K Agarwal and Sri. Ravinder Kumar Agarwal are interested in this resolution.

None of the other directors of the company is interested or concerned in the above. The Board recommends the resolution for approval of the members.

Item Nos.7

Sri Ritesh K Agarwal has been appointed as an Executive Director in the General Meeting held on 25th April 2005 for a period of 5 years with effect from 1st April 2005 with a remuneration of Rs.1, 25,000/- per month plus all applicable perquisites. Keeping in view the increase of operations and turn over, expansion of the Company and responsibilities being shouldered by the Executive Director the remuneration committee in their meeting held on 31st August 2006 and the Board in their Meeting held on 31st August 2006 approved the revision in the remuneration of the Executive Director subject to the approval of the members.

Sri. U.K. Agarwal, Sri. Ritesh K Agarwal and Sri. Ravinder Kumar Agarwal, are interested in this resolution.

None of the other directors of the company is interested or concerned in the above. The Board recommends the resolution for approval of the members

Item No.8.

The Company was at the time of the Demerger allotted Loans under the Scheme from IDBI, SBI and IDBI Trusteeship Services Limited. After the effective date, Rajvir Industries Limited was sanctioned by the State Bank of India Term Loan for its Mahabubnagar Unit. During the course of the Year under review, the Company set up a new unit at Sy. No. 17 a & 20b, Gopanpalli Village, Gouthapur Grampanchayat, Tandur Tehsil, Ranga Reddy District with financial assistance by way of Term Loan from State Bank of Hyderabad and State Bank of Bikaner & Jaipur & UTI Bank Limited. Along with the Tandur Unit establishment, a part of sanctioned Term Loan was for used in Mahabubnagar Unit also. In view of this cross unit financing, the arrangement with the various institutions was that Lead Funding institutions/Banks of the Mahabubnagar Unit shall hold first charge over movable and immovable properties of said Unit and the lead funding institutions/Bankers of the Tandur Unit shall hold first charge on movable and immovable properties of the said Unit, further first charge over the movable and immovable properties specifically funded by the banks in the other unit also be provided. In addition to this the Lead institutions/Bankers of either units were to hold Second Charge on the other Unit for which



Rajvir Industries Limited

they are not the lead funding institution/Bankers. The working capital bankers have second charge over the movable and immovable properties of the Company. The working capital bankers have second charge over these movable and immovable properties as an additional security. The Term Lenders/ Working Capital Bankers have now called upon the company to create a further mortgage over company's movable and immovable properties. The term lenders will have a pari passu unit wise respective First charge over this property and the working capital Bankers will have a second charge over this property. Sections 293(1)(a) of the companies Act, 1956 provides the inter alia that the Board of directors of a public Limited company shall not without a consent of such company in General Meeting, sell lease or otherwise dispose of the whole or a substantially the whole of the undertaking of the company. Since the mortgage by the company over the immovable properties as aforesaid in favour of Financial Institutions /banks may be regarded as the disposal of the companies properties /undertaking in certain events. It is necessary for the members to pass a resolution under section 293(1)(a) of the companies Act, 1956.

The Board recommends the resolution for the members' approval.

None of the directors is interested or concerned in the above resolution.

Item No.9

At the General Meeting of the company held on 25th April 2005 the Company had accorded its consent under section 293(1)(d) of the companies Act, 1956 to the directors for borrowing monies upto a limit of 100 Crores (excluding temporary loans obtained from companies bankers in the ordinary course of Business) Taking into account the rapid expansion Plan and the speed of Execution with further requirement of additional finance for future plans, it is proposed to increase the existing borrowing limits from Rs. 100 Crores to Rs.300 Crores. This requires the consent of the members under section 293(1)(d) of the companies Act, 1956.

The Board recommends the resolution for approval of the members.

None of the directors is interested or concerned in the above resolution

BY ORDER OF BOARD
for RAJVIR INDUSTRIES LIMITED

Place : Secunderabad
Date : August 31, 2006

(RAMAN SUBBAIAH)
GENERAL MANAGER(Fin) & COMPANY SECRETARY