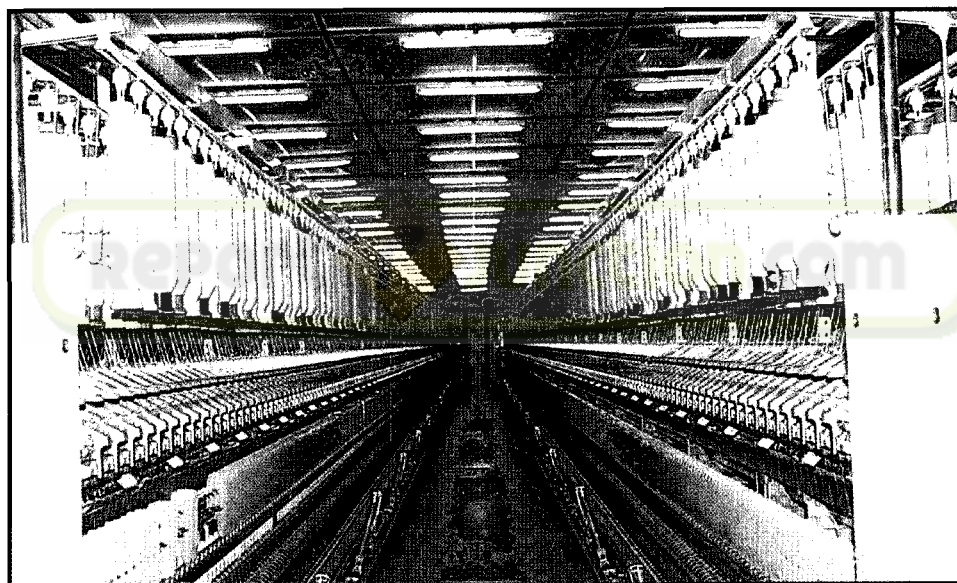


RJS 2
**Spinning
for the
World with an
Indian Soul**



Rajvir Industries Limited

Annual Report 2006-2007



Snap shot of Compact Yarn Facility



Ravi Industries Limited

BOARD OF DIRECTORS

Sri U.K. Agarwal
Sri Ritesh Kumar Agarwal
Sri Vijay Kumar Gupta
Sri S.N.Daga
Dr. K.J.Reddy

Managing Director
Executive Director

General Manager (Finance)

Sri K. Ravi Kumar

Dy.General Manager (Finance) & Company Secretary

Sri R.D.Sharma

AUDITORS

M/s S.Daga & Co
HYDERABAD

BANKERS

Industrial Development Bank of India Limited,
State Bank of India
State Bank of Hyderabad
State Bank of Mysore
State Bank of Bikaner and Jaipur
Axis Bank Limited

Registered Office

1st Floor, Surya Towers,
105, Sardar Patel Road,
Secunderabad 500003.
Telephone : 27846841

Factory Offices

- 1) Pillalamarri Road
Mahabub Nagar.
Andhra Pradesh-509002
- 2) CCI Road
Gopanpalli Village
Tandur Mandal, R.R. Dist.
Andhra Pradesh

Dying Plant

Edira Village
Mahabubnagar Dist.
Andhra Pradesh-509002

Sales Depot

No.37, Susai Puram
Sowdambika Towers
Ground Floor
TIRPUR - 641 604

Registrar & Transfer Agents

M/s. Sathguru Management Consultants Pvt.Ltd.,
Plot No.15, Hindi Nagar, Behind Saibaba Temple,
Punjagutta, Hyderabad - 500 034.
Phone No(s) - 23356507, 23356975, 23350586,
Fax No - 23354042.

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Rajvir Industries Limited

NOTICE

NOTICE is hereby given that the Third Annual General Meeting of the Members of Rajvir Industries Limited will be held on Saturday the 29th September 2007 at 3.00 PM at KLN Prasad Auditorium 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 2007, and the Balance sheet as on that date and the reports of the Directors and Auditors thereon.
2. To declare dividend on the equity shares of the company for the period ended 31st March 2007
3. To appoint a Director in place of Sri Vijay Kumar Gupta, who retires by rotation and being eligible, offers himself for re-appointment
4. To appoint a Director in place of Sri S N Daga, 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 AN ORDINARY RESOLUTION

"RESOLVED THAT pursuant to the provisions of section 257 of the Companies Act, 1956 Dr. K. J .Reddy be and is hereby appointed as director of the company whose period of office will be liable to retire by rotation."

7. 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 take over the management of the business and concern of the company in certain events to or in favor of Industrial Development Bank of India Ltd. (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/Axis Bank Ltd., as regards the Gopanpalli Village, Tandur Mandal, Ranga Reddy District, including the items of Machinery specifically financed by said institutions located at the Mahabubnagar Unit including the Dyeing Plant at village Edira and Tandur to secure the Rupee

Term Loans / Non Convertible Debentures privately placed / Foreign Currency Loans sanctioned/ to be sanctioned by them on FIRST CHARGE BASIS with first charge holders of Mahabubnagar Unit and Tandur Unit holding Second charge on Tandur Unit and Vice Versa and on

SECOND CHARGE BASIS TO:

State Bank of India (SBI)
State Bank of Hyderabad (SBH)
State Bank of Mysore (SBM) and
Axis Bank Ltd of their working capital facilities aggregating to Rs.4950/- 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/Axis Bank Ltd 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."

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

"RESOLVED THAT in super session of the resolution passed in the Annual General Meeting held on 27.09.2006 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.500 crores"

BY ORDER OF BOARD
for RAJVIR INDUSTRIES LIMITED

(R.D.SHARMA)

Place: Secunderabad
Date: 31.08.2007

DY. GENERAL MANAGER (Finance)
& COMPANY SECRETARY



Rajvir Industries Limited

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/HERSELF 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 26-09-2007 to 29-09-2007 (both days inclusive) for payment of dividend if approved and for the purpose of Annual General Meeting.

4. 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 2007-2008.

5. 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.

6. Members are requested to bring their copy of Annual Report with them at the time of attending the Annual General Meeting.

7. 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 discuss at the meeting.

Explanatory Statement pursuant to Section 173(2) of the companies Act 1956

Item Nos.6

Dr. K J Reddy who was appointed as an additional director of the company by the Board of Directors at their meeting held on 31.10.2006 under section 260 of the Companies Act, 1956 will hold the office of the director up to the forth coming 3rd Annual General Meeting of the company. The company has received a notice from a member under section 257 of the Companies Act, 1956 together with the deposit of Rs.500/- signifying his intention proposing the appointment of Dr. K J Reddy as director of the company. Dr. K J Reddy is highly qualified Medical Practitioner having vast experience in medical field. Apart from medical profession he is having good experience in Management and administration, as he was a professor and Registrar in various Medical Colleges and Hospitals in India as well as abroad. At present he is a professor in Orthopedics in SVS Medical College and a Senior Consultant in Orthopedics in Apollo Hospitals, Hyderabad. His experience in Management and Administration

will be useful for the company.

None of the other directors of the company is interested or concerned in the above except Dr. K.J.Reddy.

The Board recommends the resolution for approval of the members

Item No.7

Apart from the loans transferred to the company at the time of De-merger from IDBI & SBI the company has availed Term loan from SBI for Mahabubnagar Unit and from SBH, SBBJ and Axis Bank Ltd. for Phase I & II for Tandur Unit. The arrangement of Charge creation is that the lead Funding Institutions/Bank of the Mahabubnagar Unit shall hold first charge on movable and immovable properties of the said Unit and Lead Funding Institutions/Banks of Tandur Unit shall hold the first Charge on movable and immovable properties of the said Unit. Further first charge over the movable and immovable Properties specifically funded by the Bank in the either Unit also be provided. In addition to this the lending Institutions/Banks of either Units were to hold second charge on the other Unit for which they are not the lead Funding Institutions/Banks. The Banks for working capital have second charge over the movable and immovable properties of the Company as an additional securities. The working capital limits have been enhanced by the Banks & Company has availed additional term loan from SBH & SBBJ and term loan from Axis Bank for Tandur Unit II

The term lender/ 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 off the whole or substantially the whole of the under taking 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.8

At the Annual General Meeting of the company held on 27.09.2006 the Company had accorded its consent under section 293(1)(d) of the Companies Act, 1956 to the directors for borrowing monies up to a limit of Rs.300 crores (excluding



Rajvir Industries Limited

temporary loans obtained from company's 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.300 crores to Rs.500 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**

(R.D.SHARMA)

Place : Secunderabad
Date : 31.08.2007

DY. GENERAL MANAGER(Finance)
& COMPANY SECRETARY

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Rajvir Industries Limited

DIRECTORS' REPORT

To
The Members

Your Directors have pleasure in presenting the Third Annual Report on the business and operations of the Company and the financial results for the year ended 31st March 2007

OPERATIONS	(Rs. in lakhs)	
	2006-2007	2005-2006
1. Sales and Other Income	16718.84	12946.08
2. Profit Before Interest and Depreciation	2371.78	1757.29
3. Interest and Finance Charges	584.78	382.66
4. Depreciation	527.45	341.47
5. Profit before Tax	1259.75	1033.16
6. Provision for Taxation		
a) Current Tax	147.22	94.50
b) Deferred Tax	306.93	126.94
Profit after Tax	805.60	811.72
Profit b/fd from last year	1335.71	894.42
	2141.31	1706.13
APPROPRIATIONS		
1. Transferred to Debenture Redemption Reserves	150.00	150.00
2. Transferred to General Reserve	100.00	82.00
3. Dividend	121.40	121.40
4. Dividend Tax	20.63	17.03
5. Surplus Carried Forward to Balance Sheet	1749.28	1335.71

OPERATIONS

During the year under review the company achieved a turnover of Rs. 16718.84 lakhs and the net profit of Rs. 805.60 Lakhs as against turn over Rs. 12946.08 Lakhs & Net profit of Rs. 811.72 respectively in the previous year. The production during the year was 9920054 kgs as against 9762118 Kgs in the previous year. Your directors are very happy to inform the members that the commercial production of the 1st unit of Tandur is commenced in September 2006 and now the Unit is in full operation. Further your directors have identified another running Unit in Italy, which was contracted with and will be brought into India. The Directors are hopeful that the Plant will be erected and commissioned during the year 2007-08

DIVIDEND

In view of the improved performance of the Company during this year, your Directors are pleased to recommend a Dividend of 40% (Previous year 40% on 3034997 equity shares) on the equity shares of the Company. The Board of directors have met on 31.08.2007 and declared a dividend @ 40% on the paid up capital of the company in respect of the financial year 2006-2007 subject to the approval of Members. The dividend will absorb a sum of Rs. 142.03 inclusive of tax on dividend.

CAPITAL EXPENDITURE

Mahabubnagar Unit:

During the year under review, the company has incurred a capital expenditure of Rs 5.11 Crores for up gradation of Machinery and balancing equipments at Mahabubnagar Unit.

Tandur Unit:

As represented last year the company has contracted & brought in India a running plant from Italy and the same was erected and commissioned successfully during the year. The commercial production started in the month of September 2006. Your directors are happy to inform that the company has identified and negotiated one more Unit in Italy for another Unit in Tandur. The total project cost is Rs.67 Crores out of which Axis Bank Limited has sanctioned Term loan for Rs.50 Crores and balance will be funded through internal accruals

EXPORTS

During the year under review the Company has achieved Exports turnover of Rs. 58.14 crores as against Rs.22.21 crores last year.

FIXED DEPOSITS

The Company has not invited /accepted any deposits from the public within the meaning of section 58 A of the Companies Act, 1956

DIRECTORS

Pursuant to the provisions of Companies Act, 1956 and in terms of the Articles of Association of the company Sri Vijay Kumar Gupta and Sri S.N.Daga retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. Brief resume of the directors retiring by rotation, nature of their expertise in specific functional areas and names of the companies in which they hold the directorships and the Membership/chairmanship of committees of the Board as stipulated under clause 49 of the listing agreement with the stock exchanges are given in the section of the Corporate Governance elsewhere in the Annual Report.

CORPORATE GOVERNANCE

As per the revised Clause 49 of the Listing Agreement on Corporate Governance, Management Discussion and Analysis Report forms part of the Annual Report. Further, a separate report on the Corporate Governance together with the Certificate from the Auditors of the Company regarding compliance of the Corporate Governance also forms part of the Annual Report



Rajvir Industries Limited

AUDITORS

The Auditors, M/s S Daga & Co., Chartered Accountants, Statutory Auditors retire at the forthcoming Annual General Meeting and are eligible for re-appointment. They have expressed their willingness to accept the appointment and have confirmed that their appointment, if made, shall be in accordance with the provisions of Section 224 (1B) of the Companies Act, 1956

COST AUDITORS

The Cost Accounts records maintained by the Company for the products manufactured are subject to yearly audit by qualified Cost Auditors. Your company has appointed M/s Parankusam & Co., Cost Auditors for the year 2006-2007 for conducting the audit of Cost Account Records.

AUDIT COMMITTEE

The Audit committee met five times during the year under review.

ENVIRONMENT AND HUMAN RESOURCE DEVELOPMENT

Your Company takes utmost care to prevent and avoid any kind of Environment pollution and in this quest has built State of Art ETP plant at its dyeing unit. We would like to place on record our appreciation for the efforts made by the management and the keen interest taken by the Employees of your company in this regard.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

1. That in preparation of the annual accounts the applicable accounting standards has been followed and there has been no material departure;
2. 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 as at March 31, 2007 and of the Profit & Loss Account of the Company for the year ended on that date.
3. That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the annual accounts have been prepared on a going concern basis.

AUDITORS' QUALIFICATIONS

No qualifications were made by the Auditors in their report on the accounts for the year-ended 31.03.2007.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The details as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in the Annexure-I and form part of the Report.

EMPLOYEES

The information required to be furnished under the provisions of section 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) Rules, 1975 as amended as per Annexure II and forming part of the Report.

ACKNOWLEDGMENT

The Board of Directors is pleased to place on record their appreciation of the co-operation and support extended by Banks and various State and Central Government Agencies. The Board would like to thank the Company's shareholders, customers, suppliers for the support and the confidence, which they have reposed in its management. The Board also wishes to place on record its appreciation of the valuable services rendered by all the employees of the Company.

For and on behalf of the Board of Directors

Place : Secunderabad

Date : 31.08.2007

(U.K. Agarwal)
Managing Director



Rajvir Industries Limited

ANNEXURE-I

ANNEXURE TO DIRECTORS' REPORT

Details as required under Companies (Disclosure of Particulars in Report of Board of Directors) Rules, 1988 read with clause (e) of Sub-section (1) of Section 217 of the Companies Act, 1956.

A. CONSERVATION OF ENERGY

Energy conservation measures taken:

The Company has given priority for Energy Conservation in all its units, and it has put continuous efforts to reduce consumption of energy the Company has taken steps of continuous monitoring for replacement of conventional electrical motors, etc. with improved technology.

FORM- A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A. Power and Fuel Consumption

	2006-07	2005-06
1. Electricity:		
a) Purchased		
Units (in lakhs of KWH)	357.83	337.21
Total Amount (Rs. In lacs)	1236.68	1113.00
Average Rate: (Rs./Unit)	3.45	3.30
b) Own Generation:		
Through Diesel Generators		
Units (in lakhs of KWH)	3.38	1.80
Units per Litre of Diesel Oil	3.11	3.03
Average Cost: Rs. / Unit	11.97	8.91
2. Coal (Rs. In lakhs)	46.14	31.05
3. Furnace Oil	Nil	Nil
4. Others	Nil	29.48

B. Consumption per Unit of Production

Yarn Production (Kgs in lakhs)	99.20	97.62
Fibre Dyed (Kgs in lakhs)	10.35	11.44
Electricity (Units/Kg of Yarn)	3.61	3.47
Coal (Kgs/Kg of Dyed Fibre/Yarn)	4.46	2.71



Rajvir Industries Limited

B. TECHNOLOGY ABSORPTION

Efforts made in Technology absorption as per Form B

FORM B

Form of disclosure of particulars with respect to technology absorption

A. Research and Development (R&D)

- | | |
|---|--|
| 1. Specific areas in which R&D carried by the Company | The Company is having R&D in introduction and development of value added products. |
| 2. Benefits derived as a result of the above R&D | New value added products were developed. |
| 3. Future plan of action | To further develop more value added products and improve the quality of the products |
| 4. Expenditure on R&D | Expenditure on in-house Research and Development has been shown under respective heads of Expenditure in the Profit and Loss Account as no separate account is maintained. |

B. Technology absorption, adaptation and innovation.

- | | |
|--|---|
| 1. Efforts, in brief, made towards technology absorption, adoption and innovation | The Company had adapted indigenous Technology and innovated upon the same. |
| 2. Benefits derived as a result of, the above efforts e.g. product improvement, Cost reduction, product development, import substitution etc. | Product improvement, increase in yield, production on high value added products |
| 3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished. | No technology has been imported during last five years |
| (a) Technology | NIL |
| (b) Year of import | Not Applicable |
| (c) Has technology been fully absorbed | Not Applicable |
| (d) If not fully absorbed, areas where this has not taken Place, reasons thereof and future plans of action | Not Applicable |

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- A) Activities relating to exports; initiatives taken to increase exports; development of new export markets and new export plans.
Exports of the company has increased to Rs. 58.14 crores as compared to Rs.22.21 crores of previous year, the Company has exported to various countries like Korea, Taiwan, Egypt, Turkey, Mauritius and South Africa. The Company is exploring New markets for export of its products.

B) Expenditure in Foreign Currency during the year on account of:	2006-07 Amount (Rs)	2005-06 Amount (Rs)
i) Plant & Machinery - Imported (CIF Value)	44913528	210306107
ii) Raw Material (CIF Value)	43591531	--
iii) Stores and Spares (CIF Value)	3067489	--
iv) Foreign Travel	1963750	1894005
v) Export Commission	4079786	1763417
C) Earnings in Foreign Exchange: FOB Value of Exports	575718363	213582129