



RS SALUJA GROUP

SEL Manufacturing Company Limited

Annual Report
2007-08

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Intime Spectrum Registry Limited A-40, 2 nd Floor, Naraina Industrial Area, Phase-II, Near Batra Banquet Hall, New Delhi 110 028 Phone No: 011-41410592, 93, 94 Fax no: 011- 41410591 E-mail delhi@intimespectrum.com	Financial Statements of firm SE Exports	78
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NOTICE

Notice is hereby given that the 8th Annual General Meeting of the Members of the Company will be held on Tuesday, the 30th day of September, 2008 at 11.00 A.M. at the Registered office of the Company situated at 274, G.T. Road, Dhandari Khurd, Ludhiana (Punjab) 141010 to transact the following business(es):

AS ORDINARY BUSINESS:-

1. To receive, consider and adopt the Audited Balance Sheet for the financial year ended 31st March, 2008 and the Profit & Loss Account for the financial year ended on that date together with the report of Directors & Auditors thereon.
2. To confirm the interim dividend already paid on equity shares.
3. To appoint a Director in place of Mr. Dhiraj Saluja, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Sanjiv Garg, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors to hold office until the conclusion of the next Annual General Meeting and to fix their remuneration.

The Auditors M/s Dass Khanna & Company, Chartered Accountants, Ludhiana, the Statutory Auditors of the Company whose term is ending at the conclusion of the forthcoming Annual General Meeting are eligible for re-appointment.

AS SPECIAL BUSINESS:-

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

"RESOLVED THAT Mr. Amar Gopal Das Narang, who was appointed as an Additional Director under the provisions of Section 260 of the Companies Act, 1956 and Article 92 of the Articles of Association of the Company and who holds Office up to the date of this Annual General Meeting, be and is hereby appointed as Director of the Company liable to retire by rotation."

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

"RESOLVED THAT Mr. Navneet Gupta, who was appointed as an Additional Director under the provisions of Section 260 of the Companies Act, 1956 and Article 92 of the Articles of Association of the Company and who holds Office up to the date of this Annual General Meeting, be and is hereby appointed as Director of the Company liable to retire by rotation."

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

RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, the rules framed there under, and as approved by the Remuneration Committee of the Board and subject to such other modification(s), amendment(s), alteration(s) as may be required by any letters etc., the consent of the Company be and is hereby accorded for the appointment of Sh. Navneet Gupta as the Executive Director of the Company for a period of three years from the date of his appointment i.e. 8.05.2008 on a consolidated amount of salary of Rs. 55,000/- per month.

RESOLVED FURTHER THAT he will be entitled to free use of Company's car for business purpose and of free use of telephone, at office and at residence, for business purposes of the Company.

RESOLVED FURTHER THAT the Board of Directors may increase the abovesaid remuneration within the limits prescribed under the Companies Act., 1956 and the guidelines issued by the Central Government from time to time.

RESOLVED FURTHER THAT in case in any Financial year, the company has no profits or its profits are inadequate, the Company will pay the above remuneration as minimum remuneration to the Executive Director subject to compliance of Schedule XIII of the Companies Act, 1956 and other applicable provisions, and the rules framed thereunder as amended from time to time.

RESOLVED FURTHER THAT Sh. R.S. Saluja, Chairman and/or Sh. Neeraj Saluja, Mg. Director of the Company be and are hereby jointly or severally authorized to execute all such documents, instruments, and writings, if any, and further to do all such acts, deeds or things as may be deemed necessary to give effect to the above said resolution.

By Order of the Board,
For SEL MANUFACTURING COMPANY LTD.

PLACE : LUDHIANA
DATED :03.09.2008

(NEERAJ SALUJA)
MANAGING DIRECTOR

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. A BLANK PROXY FORM IS ENCLOSED.

PROXIES IN ORDER TO BE MADE EFFECTIVE, MUST BE DEPOSITED WITH THE COMPANY DULY EXECUTED NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF ANNUAL GENERAL MEETING AT THE REGISTERED OFFICE OF THE COMPANY.

2. Members are requested to send their queries on the accounts, if any, so as to reach the Registered Office of the Company at least seven days before the meeting to enable the company to have relevant information ready at the meeting.
3. Members are requested to bring their copy of Annual Report along with them to the Annual General Meeting.
4. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item(s)no. 6 to 8 of Special Business is annexed hereto and forms part of the Notice.
5. The Register of members and Share Transfer books shall remain closed from September 29, 2008 to September 30, 2008 (both days inclusive)
6. The information required to be provided under the Listing Agreement entered into by the Company with the Stock Exchanges regarding the Director who is proposed to be appointed/re-appointed is given in the annexure to the Notice.
7. The Explanatory Statement for Item No. 8 together with the accompanying notice may also be regarded as an abstract of the terms of appointment of Mr. Navneet Gupta, Executive Director of the Company and Memorandum of Interest of Directors u/s 302 of the Companies Act, 1956.
8. Details of Directors seeking appointment/re-appointment in AGM is given in Annexure to the Notice.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF ITEMS OF SPECIAL BUSINESS:

FOR ITEM NO. 6:

Mr. Amar Gopal Das Narang was appointed as an Additional Director of the Company w.e.f. 16.03.2008 in terms of Section 260 of the Companies Act, 1956 and Article 92 of the Articles of Association of the Company. He holds office up to the date of this Annual General Meeting. Notice alongwith requisite fee under the provisions of Section 257 of the

Companies Act, 1956 has been received from a member of the Company signifying his intention to propose the name of Mr. Amar Gopal Das Narang as a candidate for the office of Director of the Company liable to retire by rotation. Mr. Amar Gopal Das Narang holds 3590 Equity Shares of the Company (i.e. SEL Manufacturing Company Ltd.) in his own name. Considering the business/professional experience of Amar Gopal Das Narang, the Board proposes the Resolution for your consideration and approval.

Memorandum of Interest

None of the Directors of the Company except Sh. Amar Gopal Das Narang, the appointee, is interested in this resolution.

FOR ITEM NO.7:

Mr. Navneet Gupta was appointed as an Additional Director of the Company w.e.f. 08.05.2008 in terms of Section 260 of the Companies Act, 1956 and Article 92 of the Articles of Association of the Company. He holds office up to the date of this Annual General Meeting. Notice alongwith requisite fee under the provisions of Section 257 of the Companies Act, 1956 has been received from a member of the Company signifying his intention to propose the name of Mr. Navneet Gupta as a candidate for the office of Director of the Company liable to retire by rotation. Mr. Navneet Gupta holds 600 Equity Shares of the Company (i.e. SEL Manufacturing Company Ltd.) in his own name. Considering the vast professional experience of Sh. Navneet Gupta, the Board proposes the Resolution for your consideration and approval.

Memorandum of Interest

None of the Directors of the Company except Sh. Navneet Gupta, the appointee, is interested in this resolution.

FOR ITEM NO.8:

The Board of Directors of your Company have appointed Mr. Navneet Gupta as an Executive Director of the Company for a period of three years w.e.f. 08.05.2008 subject to the approval of the members of the Company. The remuneration proposed to be paid to Executive Director has been approved by the Remuneration Committee of the Board and the resolution is put for your approval in this meeting. Mr. Navneet Gupta, a Chartered Accountant is working with the company for 4 years and has rich and varied experience in the Financial aspects.

As per the provisions of the Companies Act, 1956 under Schedule XIII and Rules framed there under, consent of the members of the Company is required for the appointment as such of a managerial person. Hence the proposed resolution is recommended for your consideration and approval.

MEMORANDUM OF INTEREST

None of the Directors except Mr. Navneet Gupta being the appointee is, in any way, interested or concerned in the proposed resolution.

By Order of the Board,
For SEL MANUFACTURING COMPANY LTD.

PLACE : LUDHIANA
DATED : 03.09.2008

(NEERAJ SALUJA)
MANAGING DIRECTOR

Annexure to Notice

DETAILS OF DIRECTORS SEEKING APPOINTMENT/REAPPOINTMENT IN ANNUAL GENERAL MEETING FIXED FOR 30TH SEPTEMBER, 2008

Name of Director	Mr. Dhiraj Saluja	Mr. Sanjiv Garg	Mr. Amar Gopal Das Narang	Mr. Navneet Gupta
Resume including Expertise in specific functional area	Mr. Dhiraj Saluja aged 36 years is the Whole-time Director of our Company. He holds a degree in Mechanical Engineering from Moscow University, Russia. He has over 12 years experience in the textile industry. Besides, being responsible for the overall management of the Company along with Mr. Neeraj Saluja, he is also in charge of overseeing marketing of yarn and garments and looks after the complete function of marketing and delivery of our Company's products to the end customer.	Mr. Sanjiv Garg aged 47 Years is Independent Director on our Board. He holds a bachelors degree in Commerce. He has over 25 years of experience in the Steel and Yarn Manufacturing Sector. Mr. Garg possesses rich and varied experience in making of steel and yarn manufacturing. He has also been the past president of The North India Induction Furnace Association.	Mr. Amar Gopal Das Narang, aged 49 years is a Graduate and has over 25 years of experience in running Industry.	Mr. Navneet Gupta, aged 38 years is a Chartered Accountant and has a vast experience in Financial Areas and other related aspects.
List of other Companies in which Directorship held	1. Saluja Cotex Pvt. Ltd. 2. SEL Aviation Pvt. Ltd. 3. SEL Developers Pvt. Ltd. 4. Jupiter Drapes & Cuts Apparels Pvt. Ltd.	1. Garg Furnace Ltd. 2. Raja Devi Investment and Trading Co. Pvt. Ltd. 3. Om Yarn Plus Pvt. Ltd.	None	1) Rythm Textile & Apparels Park Ltd.
Chairman/Member of the Committee of Board of Directors of other Companies	None	Member of Shareholder Grievance Committ.- Garg Furnace Ltd.	None	None
Inter-Se relationship with other Directors of the Company	Son of Mr. Ram Saran Saluja and brother of Mr. Neeraj Saluja, other Directors of the Company.	Not related	Not related	Not related
Shareholding in the Company	28014	Nil	3590	600

DIRECTORS' REPORT

To

The Members

SEL Manufacturing Company Ltd.

Your Directors have pleasure in presenting their 8th Annual Report on the affairs of the company together with Audited Accounts for the financial year ended 31st March, 2008.

FINANCIAL RESULTS**(Rupees in Lacs)**

	Current Year (2007-08)	Previous year (2006-07)
Operating Income		
Gross Sales	35738.70	18558.44
Net Sales	35731.37	18530.31
Other Income	3533.11	1798.97
Increase/(Decrease) in Stocks	(5286.25)	(1924.35)
	33978.23	18404.93
Less :		
Expenditure	27542.70	15051.27
Provision for Depreciation	909.97	503.70
	28452.67	15554.97
Profit before taxation:	5525.56	2849.96
Less :		
Taxes : Current Tax	449.12	168.65
Deferred Tax	573.13	315.87
Fringe Benefit Tax	11.09	4.03
Wealth Tax	0.92	0.28
Previous year adjustments	--	0.01
Prov. For Tax (earlier yrs)	5.88	1.09
	1034.26	488.83
Profit after Tax	4485.42	2360.03
Balance brought forward	12260.02	9899.99
	16745.44	12260.02
Appropriations:		
Transferred to General Reserve	1600.00	----
Dividend	152.16	----
Dividend Tax	25.86	----
Balance Carried over to Balance Sheet	14967.42	12260.02

BUSINESS:

Your Company is vertically integrated textile Company, manufacturing and exporting cotton yarn, combed yarn, knitted fabrics and knitted garments with production facilities located in Ludhiana in Punjab and

Baddi in Himachal Pradesh. We manufacture and export all types of knitted garments and our main products include T-shirts, Polo shirt, Sweat shirt, Boxer shorts, Girls top etc.

Our Business Strategy

Our principal operating strategies are to:

- Increase our capacity in yarn manufacturing to cater to in-house requirements, domestic and international markets.
- expand our garment capacity to cater to more diverse export markets
- to become an integrated player in the textile market catering in all segments from cotton and combed yarn, knitting fabrics and knitted garments
- reduction of operational costs
- invest in design and product development
- develop and maintain strong relationship with our clients

We have plans to expand our existing capacities in yarn manufacturing, knitting and garment manufacturing.

Further the expansion project to be located at Vill. Shekhan Majara, Machiwara Rahon Road, Teh. & Distt. Nawanshehar consists of

- i) Setting up of (facilities to manufacture Technical textiles having a capacity of 90 TPD), 4 different production lines namely Spun Lace, Air-Lay, Geo-textile and Needle Punching.
- ii) Expanding the capacity of Captive Power Plant by setting up of another unit of 10 MW capacity taking the total capacity to 20 MW.
- iii) Expansion of Terry; Towel Project by 25 TPD, thereby taking the Terry towel Capacity to 35 TPD after implementation.
- iv) Setting up of Open End Spinning facility of 1632 Spindles having production capacity of 18 TPD.

OPERATIONS :

During the year under review, your company has achieved Gross Sales to the tune of Rs. 35738.70 lacs as compared to Rs. 18558.44 lacs in the previous year. The profit before tax stood at Rs. 5525.56 lacs as compared to Rs. 2849.96 lacs during the previous year. After providing for taxes and other adjustments, the Profit after tax stood at Rs. 4485.42 lacs as compared to Rs. 2360.03 lacs during the previous year. During the year the Company has also acquired the manufacturing facilities of a unit consisting of installed capacity of 4.5 million pieces of readymade garments.

SUBSIDIARY FIRM(S) :

Your company is a 99% partner in the partnership firm(s) namely M/s SE Exports and M/s Kudu Industries. During the year the company increased its stake to 99% in M/s Kudu Industries. M/s SE Exports, the firm is engaged in the business of manufacture of value added knitted garments having production facilities located in the tax free zone in Baddi in Himachal Pradesh and M/s Kudu Industries located at Ludhiana has dyeing capacity of 4500 tons p.a. in fabric and 3000 tons p.a. in yarn besides also having flat bed printing, rotary printing & mercerizing capacities of appx . 2400 tons p.a..

CORPORATE GOVERNANCE :

A separate section on Corporate Governance and a Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance, forms part of the Annual Report

DIVIDEND :

For the Financial year 2007-08, the Board of Directors declared an interim dividend @ 10% i.e. Re. 1 per share on 28.01.2008. The total cash outflow on account of this dividend including tax on dividend was Rs.1.781 crores.

Your directors believe in sustained increase in shareholder value, eventually resulting in a higher return threshold and accordingly the Board of Directors has considered the interim dividend paid, as the final/total dividend for the financial year ended March 31, 2008.

PUBLIC ISSUE:

During the year the Company had issued and allotted 4138410 Equity Shares through Initial Public Offer (IPO) and 1260800 Equity Shares through Pre IPO placements.

PREFERENTIAL ISSUE OF WARRANTS:

To augment long term resources of the Company for meeting fund requirements of the existing and new businesses etc., the Company has, in accordance with the Statutory provisions including Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 and with the approval of members, issue and allotted on April 9, 2008, 7650000 convertible Equity warrants on preferential basis to various entities, entitling them to apply for equivalent number of fully paid up Equity Shares of the face value of Rs.10/- each of the Company at a price of Rs.185/- per Equity share. (i.e. Equity Share of Rs.10/- each at a premium of Rs.175/- per share). In terms of the said Guidelines, these entities have paid 10% of the issue price on subscription to the warrants and the balance issue price is payable upon exercise of the right to apply for the Equity Shares within a period of 18 months from the date of issue of the warrants. The warrants/shares issued/to be issued under the preferential offer are subject to lock-in period as prescribed under SEBI guidelines. Till date 19,50,000 warrants have been converted into Equity shares of the Company.

FURTHER ISSUE OF SECURITIES:

The members of the Company have given their approval to the Board by passing requisite resolution in this regard to raise funds for the Company, subject to necessary approvals and applicable laws & regulations, by way of issue of securities, in the course of an international offering(s), in one or more foreign markets, at such time or times in one or more tranche or tranches, such Securities include Global Depositary Receipts (GDRs) and/or American Depositary Receipts (ADRs) convertible into equity shares, Foreign Currency Convertible Bonds (FCCBs) or any instrument or securities representing convertible securities such as convertible debentures, bonds or warrants etc. convertible into equity shares, whether optionally or otherwise or any combination thereof (hereinafter referred to as 'Securities') upto an aggregate amount not exceeding Two Hundred Fifty Million United States Dollars (US \$ 250 Million).

FIXED DEPOSITS:

During the year, your Company has not accepted any fixed deposits within the meaning of Section 58-A of the Companies Act, 1956 and the Rules made there under.

DIRECTORS:

Mr. Dhiraj Saluja and Mr. Sanjiv Garg, Directors' of the Company retire by rotation at this Annual General Meeting and being eligible offer themselves for re-appointment.

Mr. Amar Narang was appointed as an Additional Director of the Company w.e.f. 16.03.2008 pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 92 of the Articles of Association of the Company.

Mr. Sanjay Jain resigned from Directorship of the Company w.e.f. 31.03.2008. Further Mr. Navneet Gupta was appointed as an Additional Director of the Company w.e.f. 08.05.2008 pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 92 of the Articles of Association of the Company.

The Company has received notice(s) alongwith requisite fee under the provisions of Section 257/258 of the Companies Act, 1956 proposing the name(s) of Sh. Amar Narang, and Sh. Navneet Gupta for the office of Director of the Company. The required resolution for their appointment as such are included in the Agenda for the ensuing Annual General Meeting for the consideration and approval of the members of the Company.

LISTING WITH EXCHANGES AND LISTING FEES;

The Equity Shares of the Company are presently listed with Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Ltd. (NSE). Further the Company has paid listing fee to both the exchanges upto financial year 2008-09.

AUDITORS:

M/s Dass Khanna & Co., Chartered Accountants, Ludhiana, the Statutory Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for reappointment.

AUDITORS' REPORT:

Pursuant to auditors remarks in their Report regarding non-compliance with clause (b) of sub-section (3) of Section 209 of the Companies Act, 1956 regarding non-provision of gratuity for the period 01.01.2008 to 31.03.2008 in the books of accounts, the Board has to say that since the company has taken the gratuity policy due to which the gratuity for the period from 01.01.2008 to 31.03.2008 was not provided on actuarial valuation. Further with respect to Auditors remarks in report to consolidated financial statements regarding sundry debtors of SE Exports (Partnership firm) which are outstanding for period exceeding six months have not been shown separately, the Board has to say that they were not shown separately as they could not be bifurcated. Further the report of Auditors and notes on accounts are self explanatory and do not call for any further comments as there are no adverse remarks by the Auditors.

AUDIT COMMITTEE:

The Board has constituted its Audit Committee pursuant to the provisions of Section 292A of the Companies Act, 1956 and provisions of the Listing Agreement(s) of the Stock Exchange(s).

The said committee was reconstituted on 01.04.2008. The Audit Committee of the Company presently comprises of the following members namely Mr. Ashwani Kumar, Mr. Amar Narang and Mr. Sanjiv Garg. Sh. Ashwani Kumar is the chairman of the said committee. All these members are non-executive Independent Directors of the Company.

PARTICULARS OF EMPLOYEES:

None of the employees of the company is in receipt of remuneration in excess of the limits specified under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975 as amended upto date. As such the information under this head is NIL.

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

Information as per section 217(1)(e) read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 are given in Annexure-I forming part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT: