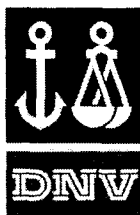


23rd
Annual
Report
2005-2006

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SANRHEA
TECHNICAL TEXTILES LIMITED

Sanrhea Technical Textiles Limited



DET NORSKE VERITAS MANAGEMENT SYSTEM CERTIFICATE

Certificate No. 00106-2003-AQ-BDA-RvA

*This is to certify that
the Quality Management System
of*

SANRHEA TECHNICAL TEXTILES LTD.

at

Dr. Ambedkar Road, Near G. E. B. Kalol-382 721, North Gujarat, INDIA

has been found to conform to the Quality Management System Standard:

ISO 9001:2000

This Certificate is valid for the following product or service ranges:

**MANUFACTURE AND SUPPLY OF INDUSTRIAL WOVEN FABRICS
AND TWISTED YARNS**

Original Certification date:
2001-05-25

Place and date:
New Delhi, 2003-06-17

This Certificate is valid until:
2006-06-03

*Compliance to the Standard in respect to the indicated scope is
verified by the DNV approved registered Team Leader:*

Manish Trivedi
Lead Auditor



for the Accredited Unit:
DNV CERTIFICATION B.V.,
THE NETHERLANDS

K. K. Kumar
Krishnakumar N.R.
Management Representative

Lack of fulfillment of conditions as set out in the Appendix may render this Certificate invalid.

Sanrhea Technical Textiles Limited

SANRHEA TECHNICAL TEXTILES LIMITED

ANNUAL REPORT 2005-2006

Board of Directors : Shri Tushar Patel Managing Director
 Shri Vimal Ambani
 Shri Ishwarbhai Patel
 Shri Pavan Bakeri
 Shri Miten Mehta
 Shri G. Ravishankar Director (Technical)

Bankers : United Bank of India

Auditors : Kantilal Patel & Co.
 Chartered Accountants
 (A Member of Polaris Intl., USA)
 202, Paritosh, Usmanpuar,
 Ahmedabad - 380013

Registered Office : Parshwnath Chambers, 2nd Floor,
 Near New RBI Building, Income Tax,
 Ashram Road, Ahmedabad - 380 014.

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NOTICE

NOTICE is hereby given that the Annual General Meeting of the members Of the Company will be held on Wednesday, 27th day of September, 2006 at 10.00 a.m. at Parshwanath Chambers, 2nd Floor, Nr. New RBI Building, Income tax, Ashram Road, Ahmedabad-380 014 to transact the following business.

ORDINARY BUSINESS:

- (1) To receive, consider and adopt the Audited Profits & Loss Account for the financial year ended on 31st March, 2006 and Balance Sheet as at that date and Report of the Board of Directors and Auditors thereon.
- (2) To appoint a Director in place of Shri Ishwar Patel who retires by rotation and being eligible, offers himself for re-appointment.
- (3) To appoint Auditors of the Company to hold office from the conclusion of this Annual General Meeting and to authorize the Board of Directors to fix their remuneration. In this context, to consider and if thought fit to pass with or without modifications following as an ordinary resolution.

"RESOLVED that M/s. Kantilal Patel & Co., Chartered Accountants be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting on such remuneration as may be decided by the Board of Directors of the Company.

On behalf of the Board

Date : June 30, 2006
Place : Ahmedabad

TUSHAR PATEL
MANAGING DIRECTOR

NOTES:

- 1) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and such a proxy need not be a member of the Company.
- 2) All valid proxies must be deposited at the Regd. Office of the company at least 48 hours before the commencement of the meeting.
- 3) Members are requested to bring their copies of Annual Report to the meeting.
- 4) Register of members and share transfer books of the company will remain closed from 23/9/2006 to 25/9/2006 (both days inclusive)

Sanrhea Technical Textiles Limited

DIRECTOR'S REPORT

Dear Members ;

Your Directors have pleasure in presenting the 23rd Annual Report together with the Audited Accounts of the Company for the year ended on 31st March, 2006.

FINANCIAL RESULTS :

| | 2005-2006 (Rs.lacs) | 2004-2005 (Rs.lacs) |
|--|------------------------|------------------------|
| Sales & Other Income | 695.43 | 739.62 |
| Gross Profit/Loss | 57.86 | 78.50 |
| Less : | | |
| Depreciation | 28.08 | 43.27 |
| Finance charges | 16.61 | 13.47 |
| Provision for taxation | 3.01 | 0.54 |
| Net Profit/(Loss) | 10.16 | 21.22 |
| Balance of P & L Account B\F (After adjustment of Bal. of Share Premium and General Reserves) | (12.36) | (33.58) |
| Appropriations : | | |
| Transfer to General Reserves | - | - |
| Balance of Profit/loss carried forward | (2.20) | (12.36) |

DIVIDENDS :

Your directors are unable to propose any dividend on Equity Shares of the company due to insufficient profits.

OPERATIONS :

Your directors are pleased to inform you that the company has been able to maintain satisfactory level of operations and has been able to achieve profit in the year under review. During the year under review Sales and Other Income has been posted at Rs.695.43 lacs and the company has earned Gross Profit of Rs.57.86 lacs. After Depreciation of Rs.28.08 lacs Finance Charges Rs.16.61 lacs and Provision for taxation of Rs. 3.01 lacs, the company has earned Net Profit of Rs.10.16 lacs. Your directors are optimistic of achieving better results in the coming years.

STRATEGY, OUTLOOK AND MARKET :

Main product of the company Belting Fabrics are used as reinforcement material in conveyor belts. There was an increase in demand for belting fabrics in India due to industrial recovery, as well as an increase in belt exports from India. The domestic market is looking buoyant due to increase in belt exports from India. India is becoming a manufacturing center for belting fabrics. Similarly, global belt industry has seen a great deal of consolidation resulting in few very large players such as Phoenix, Fanner, Semperit and Contitech. Most of these manufacturers in US and Europe are increasingly looking at Asian Manufacturers for their raw material requirements of belting fabrics.

We are pleased to inform you that apart from business relations with domestic giants like MRF, SRF, Nirlon, Garware etc., the company is already into business with one of the global player Semperit which is having their plant in India. Moreover, the company is also into business of manufacturing other various of industrial fabrics including Chafer fabrics for Tyre industry, PP fabrics broadly categorized as Geo textiles which is supplied to Garware Wall ropes for various industrial and infrastructure projects. During the year, your company was able to reap substantial benefits due to optimum utilization of its production capacity and has also decided to further increase its capacity to 100 tones.

Annual Report 2005-2006**EXPANSION CUM DIVERSIFICATION :**

Your directors are pleased to inform you that the Company has taken up project of setting up an in-house dipping unit for Industrial Fabrics. The project will get benefits under "QUF scheme and the application has already been forwarded through its bankers for the same. Upon implementations of the new project, the company will be able to manufacture dipped fabrics independently. The project is expected to operational and trial runs will be taken up by the end of this year.

INSURANCE :

The company has taken sufficient insurance for the properties against all risks of including fire, strike, riot and earthquake.

DIRECTORS:

Shri Ishwar Patel Director of the company retires by rotation and being eligible for reappointment offers himself for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT -SECTION 217 (2AA) OF THE COMPANIES ACT, 1956 :

The Board of Directors states :

- 1 that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation) relating to material departures;
- 2 that the directors had selected such accounting policies and applied them consistently and 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 the financial year and of the profit and loss of the company for that period;
- 3 that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- 4 that the Directors had prepared the annual accounts on a going concern basis.

PARTICULARS OF EMPLOYEES :

There is no employee of the Company drawing total remuneration of Rs.24,00,000 p.a. or Rs.2,00,000 p.m. as required U/S 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees), Rules, 1975.

CORPORATE GOVERNANCE :

Your directors are pleased to inform you during the year provisions relating to the Corporate Governance as per listing Agreement has become applicable and has complied with the various requirements a report along with certificate is attached forming part of this report.

FIXED DEPOSITS:

Fixed Deposit from the shareholders as at the end of the accounting year aggregate to Rs. Nil. The company has adhered to rules and regulations as per Companies (Acceptance of Deposits) Rules and the Companies Act, 1956.

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

A statement showing the required particulars in accordance with the companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 read with provisions of section 217(1) (e) of The Companies Act, 1956 is annexed forming part of this report.

AUDITORS REPORT :

The observations of the auditors are explained where ever necessary in appropriate notes to the Accounts.

Sanrhea Technical Textiles Limited

AUDITORS :

The auditors of the company M/s. Kantilal Patel & Co., Chartered Accountants retires and being eligible, offers themselves for reappointment.

ACKNOWLEDGEMENT :

Your Directors would like to express their appreciation for the support extended by Bankers and Government Officers. Your Directors also place on record their deep appreciation of the services rendered by the Officers, staff and workers of the company at all levels. Your Directors also acknowledge the continued invaluable support extended by you - our shareholders- and the confidence that you have placed in the company.

For & on behalf of the Board

Place : Ahmedabad
Date : June 30, 2006

Tushar M. Patel
Managing Director

ANNEXURE TO DIRECTORES REPORT

Additional information as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and Sec.

217(1)(e) of the Companies Act, 1956.

A. CONSERVATION OF ENERGY :**(a) Measures taken :**

Energy Audit is regularly being carried out by the Professionals suggestions are implemented to conserve energy and reduce cost.

(b) Additional investments and proposals, if any being implemented for reduction of energy consumption.:
Nil**(c) Impact of the measures at (a) and (b) above and consequent impact on cost of production :**

Slowly and gradually cost of production is being reduced.

(d) Total energy consumption and energy consumption per unit of production :

As per Form A annexed herewith.

B. TECHNOLOGY ABSORPTION :

Details are provided in form 'B' annexed herewith.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :**(1) Activities relating to exports initiative taken to increase exports, development of new export plans:**

The Company is in process of tapping overseas market and enquiries are being generated for export of gray industrial fabrics.

| | 2005-2006 | (Rs. lacs) 2004-2005 |
|---|-----------|-------------------------|
| (2) Total foreign exchange used and earned. | | |
| (i) Foreign Exchange earned including indirect export : | Nil | Nil |
| (ii) Foreign exchange used : | | |
| Euro | 158525.16 | 97826.23 |
| Czech Koroner | 21315.12 | — |
| Us \$ | 261225.28 | 279096.15 |
| Baht | 2040.32 | 3321.49 |
| CHF | 444.55 | 28434.27 |
| Stg. Pound | — | 500.00 |
| Dirham | — | 7517.80 |
| China Yuan Remminbi | — | 34373.15 |

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FORM A
(Rule 21)

Form for Disclosure of Particulars with respect to conservation of energy.

A. Power and fuel consumption Current year Previous year.

(1) Electricity :

(a) Purchased

| | | |
|--------------------|--------------|--------------|
| Unit (KWH in lacs) | 3.62 | 4.08 |
| Total Amount (Rs) | Rs.16,97,459 | Rs.19,73,015 |
| Cost/Unit (Rs) | 4.69 | 4.83 |

(b) Own Generation through Diesel Generator :

| | | |
|-----------------------------|------|------|
| Unit (KWH in lacs) | Nil | Nil |
| Unit per ltr. of Diesel oil | N.A. | N.A. |
| Total amount | N.A. | N.A. |
| Cost/ unit (Rs.) | N.A. | N.A. |

(2) Furnace Oil Nil Nil

(3) Coal Nil Nil

(4) Others/internal generation Nil Nil

B. Consumption per unit of production :

| | Standards (if any) | Current year | Previous year |
|--|--------------------|--------------|---------------|
| Products : Cloth | | | |
| (1) Electricity (KWH) Cloth (per Kg.) | - | 0.67 | 0.70 |
| (2) Coal | - | Nil | Nil |
| (3) Furnace Oil | - | Nil | Nil |
| (4) Others | - | Nil | Nil |

FORM - B

(a) Research and Development : Nil

(b) Technology absorption, adaptation and innovation :

(1) Efforts in brief, made towards technology absorption, adaptation and innovation : The company had status of ISO 9002. The company has complied requirements of new standards ISO 9001-2000 and has also get renewal of registration as per new norms.

(2) Benefits derived as a result of above efforts : By implementation of ISO system the company had been able to effectively monitor activities at all levels and there is a positive impact on productivity of company.

(3) Information regarding technology imported during the last 5 years : Nil

Sanrhea Technical Textiles Limited

CORPORATE GOVERNANCE REPORT 2005-06

(As required under Clause 49 of the Listing Agreements)

The Directors presents the Company's report on Corporate Governance.

The Board has adopted the principles of good corporate governance and it is committed to adopting the same in future. It is true that the compulsion may initiate steps for compliance however voluntary adoption may take the same at its true place. We have taken steps for the good corporate governance practice, which will lead to the ethics of integrity, transparency and accountability.

THE BOARD OF DIRECTORS

The Board consists of 6 Directors showing the fair combination of Executive, Non-Executive and Independent Directors. The directors are different in respect of the knowledge and expertise in the field. Some of the directors are professionals from different field; some are having the vast knowledge and experience of marketing/production.

Attendance at board Meetings :

Date of Board Meetings : 30/04/2005
 30/06/2005
 31/07/2005
 25/08/2005
 30/10/2005
 10/11/2005
 31/01/2006

| Name | Executive/ Non-Executive/ Independent | No. of other Directorship held | Board meetings attended | Membership in the committee of other companies | Chairmanship at the committee of other companies | Attended last AGM on 28th September, 2005 |
|--------------------|---|--------------------------------------|-------------------------------|--|--|---|
| Mr Tushar Patel | Executive Director (M.D.) | 4 | 06 | 0 | 0 | Yes |
| Mr. Vimal Ambani | Non-Executive & independent | 5 | 00 | 0 | 0 | No |
| Mr. Pavan Bakeri | Non-Executive & independent | 6 | 06 | 0 | 0 | No |
| Mr. Ishwar Patel | Non-Executive & independent | 0 | 01 | 0 | 0 | No |
| Mr. Miten Mehta | Non-Executive & independent | 0 | 06 | 0 | 0 | Yes |
| Mr. G. Ravishankar | Non - Executive & Independent | 0 | 06 | 0 | 0 | No |

As required by the law, the appointment(s) and remuneration(s) of any executive Director(s) requires the approval of shareholders; such approvals are for a period of not more than 5 years and when eligible, they can be re-appointed at the end of the term. One third of other Directors retire every year and, when eligible, qualify for re-appointment.